



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

ECONOMY, ENERGY AND TOURISM COMMITTEE

Monday 1 November 2010

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Printed and published in Scotland on behalf of the Scottish Parliamentary Corporate Body by
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ECONOMY, ENERGY AND TOURISM COMMITTEE
29th Meeting 2010, Session 3

CONVENER

*Iain Smith (North East Fife) (LD)

DEPUTY CONVENER

*Rob Gibson (Highlands and Islands) (SNP)

COMMITTEE MEMBERS

*Ms Wendy Alexander (Paisley North) (Lab)
Gavin Brown (Lothians) (Con)
Christopher Harvie (Mid Scotland and Fife) (SNP)
Marilyn Livingstone (Kirkcaldy) (Lab)
*Lewis Macdonald (Aberdeen Central) (Lab)
*Stuart McMillan (West of Scotland) (SNP)

COMMITTEE SUBSTITUTES

Nigel Don (North East Scotland) (SNP)
Alex Johnstone (North East Scotland) (Con)
Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD)
David Whitton (Strathkelvin and Bearsden) (Lab)

*attended

THE FOLLOWING GAVE EVIDENCE:

Councillor Angus Campbell (Comhairle nan Eilean Siar)
Councillor Michael Foxley (Highland Council)
Norman Gillies (Clan Donald Lands Trust)
Campbell Grant (Sitekit Solutions Ltd)
Clive Hartwell (Skyeskyns Ltd)
Robert Livingston (HI-Arts)
Donald MacDonald (Aros)
Callum Iain Maciver (Comhairle nan Eilean Siar)
Lorne MacLeod (Jansvans Ltd)
Angus MacMillan (Stòras Uibhist)
Stewart Nicol (Inverness Chamber of Commerce)
Councillor Ian Ross (Highland Council)
Howard Vaughan (Columba 1400)
Martin Wright (UHI Millennium Institute)

CLERK TO THE COMMITTEE

Stephen Imrie

LOCATION

Sabhal Mòr Ostaig, Skye

Scottish Parliament

Economy, Energy and Tourism Committee

Monday 1 November 2010

[The Convener opened the meeting at 15:02]

Enterprise Network Inquiry

The Convener (Iain Smith): Welcome to the Economy, Energy and Tourism Committee's 29th meeting in 2010. I am pleased that we are meeting at Sabhal Mòr Ostaig on the Isle of Skye as part of our inquiry into the enterprise networks. We were keen to hold a meeting in the Highlands and Islands so that we can consider the particular impacts of the enterprise network in the Highlands and Islands, particularly our remoter and island communities. We were particularly keen to meet not in Inverness, but elsewhere in the Highlands and Islands.

We have three panels of witnesses today. We came to the Highlands and Islands to hear from people here, rather than make them all come to Edinburgh but, unfortunately, despite the best-laid plans, the flight that our Western Isles colleagues from Comhairle nan Eilean Siar were on could not get into Inverness this morning and they were diverted to Edinburgh, so they are making their way up from Edinburgh now. I hope that they will be here before the end of the meeting. As a result, there will be a slight change to the agenda—we will take the Western Isles Council witnesses later.

The first panel will therefore comprise only Highland Council representatives. I welcome Michael Foxley and Ian Ross. Do you wish to make any brief opening remarks?

Councillor Ian Ross (Highland Council): We are delighted to be with the committee and to be on Skye. You have received our written evidence, so I will just give a brief summary.

Since 1965, Highlands and Islands Enterprise and its predecessor organisation, the Highlands and Islands Development Board, have achieved a great deal for the Highlands and Islands and have been effective in addressing the needs and challenges that existed and still exist across our area. HIE has provided and continues to provide a strategic enterprise overview and effective delivery that has been well integrated with the requirements of community development, which is a crucial link. Our council's experience is of strong partnership working with HIE and the HIDB. For us, that reinforces the importance of having an agency with a Highlands and Islands remit and focus and the ability to link well with other bodies

and authorities and to respond to the economic and community challenges and opportunities that our regional economy faces.

Although we are concerned about certain recent changes, particularly over the past two or three years, Highland Council's strong position—indeed, its unanimous position, given last week's discussions—is one of support for an effective Highlands and Islands enterprise body. If a single agency were to be suggested, we would look for an alternative model that would allow those principles to be maintained.

That is all I want to say at this stage, convener.

The Convener: What have been the positive and negative impacts of the changes to the enterprise network in the Highland area?

Councillor Ross: As far as the positives are concerned, we have an organisation that has been able to focus on and understand Highlands and Islands issues, has recognised the significant differences between the Highlands and Islands and other parts of Scotland, and has been able to be proactive and responsive in that respect. You have only to look at the various initiatives that have been introduced over the decades, but in the past 10 to 15 years alone a whole range of things have happened, such as the establishment of the European Marine Energy Centre in Orkney and, more recently, the successful bid to broadband delivery UK. Indeed, the fact that HIE is, with others, leading the response to the threat to the Moray air bases demonstrates its ability to focus on the Highlands and Islands as a whole, not just on parts of the area.

As for recent concerns, the first is, of course, the significant reduction in HIE's budget. We understand the realities of budgets at the moment, but some of the reductions predate the current situation. There is also slightly less clarity about access to services, and some control has been lost locally, particularly with regard to aspects of skills development. Moreover, as we have seen in certain sectors, HIE does not have the resources, the capacity and some of the expertise that it previously had, and we are also concerned about its current operating costs in comparison with the resources that it has to deliver.

The Convener: So, in your view, is the reduction in the quality of HIE's service to the local community largely budget-driven rather than structurally-driven?

Councillor Ross: It is a bit of both. I realise that resource transfer to Skills Development Scotland and the business gateway accounts for some of the reduction in the budget, but the fact is that there is less resource than there used to be, which means that the organisation cannot be as responsive as it once was.

Although the transfer of the business gateway has been successful—it is working very effectively in the Highlands and Islands—the move has led to a bit of confusion at times, particularly for businesses that do not fall into the account management or businesses of growth category, and the issue is how and when people can access services and support. There has been some good work, especially over the past 12 months, and our council has worked with HIE on streamlining and making more effective the means by which people can fully access services to ensure that there is no distinction or division in that respect. However, the process is not as smooth as it once was and there are certainly some concerns and misunderstandings out there.

Rob Gibson (Highlands and Islands) (SNP): Good afternoon, gentlemen. In examining how enterprise networks actually work, we must look at their accountability and effectiveness. How accountable is HIE to people in the Highlands and Islands?

Councillor Ross: One of the benefits of having a locally based organisation is that there is greater accountability. Indeed, the fact that something is based and controlled in the Highlands and Islands itself gives accountability, and there is accountability in the various connections with partner organisations such as the council or with key businesses. The model is by its very nature clearly different from that of a democratically elected body, but I believe that having a Highlands and Islands organisation provides a degree of accountability and challenge that one might not necessarily get with a national organisation.

Rob Gibson: I was thinking not so much about a national organisation or another such structure but about what exists at the moment. Perhaps Michael Foxley will want to say something about that.

Councillor Foxley (Highland Council): Yes, if I may, and I will also answer a remark that the convener made at the beginning of the meeting.

I have represented the view outside the window for the best part of 24 years—including the small isles, Mallaig, Ardnamurchan and Morven. Over the years, it has been about partnership working, first with the Highlands and Islands Development Board and then with HIE. It works best when we are all in agreement, although we have not always been in agreement. There is barely a project, service or building out there that the council and HIE have not both been involved with. It is not just about money; it is about people putting in their energy, ideas and time to make something happen. For example, we are involved with the Sunart oakwoods initiative, which is a major project. Over the years, there has been a major

input from HIE in terms of energy and ideas rather than just funding.

To follow on from what Ian Ross said, with the substantial reduction in funding over the past two or three years—it depends on how the baseline is defined, but there has certainly been a substantial reduction in available funds—we have noticed that there has been a reduction in the number of HIE staff available, which means that there is a clear reduction in the number of people who can come along to meetings, whether with businesses or community groups, to action and progress ideas. Our growing concern has been about that reduction in the fire power, as it were, of HIE. Our initial stance is to wish to see that strengthened and enhanced. It is about having as many people as possible on the ground to interact with the people who live and work in our communities. As Ian Ross said, we are totally opposed to having a national enterprise network, as are my fellow conveners and leaders throughout the Highlands and Islands.

Rob Gibson: I understand that, but I am interested to know how accountable HIE still is. You have not told me that it is any less accountable than the local enterprise companies were, when we had them. Were they accountable in any way to the local community? They were more local organisations.

Councillor Ross: When holding to account an organisation, we must have the opportunity to challenge it and the connections that go with that. I suspect that there probably were more opportunities to do that when we had LECs, but the key point is about the geography of our delivery in the Highlands and Islands, what followed on from that in local partnership arrangements and the regularity of contact with Highland Council, which is the context about which I can speak. We felt that we had the opportunity to raise and challenge issues and to seek responses. That included regular presentations to Highland Council by the chairman of HIE. He would open himself to a full, constructive challenge from members. That level of access and contact was there.

Some of our concerns are not necessarily about accountability, although we might find accountability issues if we were to look beyond the Highlands and Islands. Our concerns are about the range of resources, services and expertise, and access to those, that have followed some of the changes that have been made over the past two to three years. I flag those up as issues.

Councillor Foxley: HIE is definitely less accountable than it was two or three years ago. Without digging up the horror stories from the beginning of the LECs, I will say that how the LECs ended up towards the end was different

from their starting position. Latterly, because the LECs involved local businesses and communities, there was interaction between the enterprise network workforce, the people on the LEC board and the people on the HIE main board, most of whom lived and worked in the Highlands and Islands. There was a range of people with whom you could interact through partnership working. That approach is now seriously diminished. The workforce is still there, but there is not that direct structure into the board, there is certainly not local accountability and there are far fewer people on the ground. I am not disputing the valuable work that those people have done; they have done a tremendous amount of work recently and had a direct input into creating the West Highland College from Skye & Wester Ross College and Lochaber College. However, it is the limitation in terms of staffing and funding that is the problem. Although their work had a major impact on the college project, there are two or three other projects on which I would have liked a similar impact.

15:15

Rob Gibson: Development officers are one aspect of HIE's current structure. However, the regional advisory boards that were promised but which were never set up would have offered some means of accountability and a forum for discussion between business figures in local areas and the board. Would not that have been as effective as the structure that you were talking about?

Councillor Ross: Which structure?

Rob Gibson: We are talking about accountability. I am sticking with that theme at the moment, as other members will have plenty of different questions.

We need to establish whether we have a chance to improve the situation, because eventually we must think about solutions, but we are not necessarily examining the structures as such. HIE has development officers at present, but it does not have the regional advisory boards or forums that were promised. Would such boards be an effective way to transmit ideas between activists and businesspeople at a local level and the board?

Councillor Ross: As I said, and as Michael Foxley said more directly, there was greater accountability under the previous situation with the local enterprise companies. I have no direct experience of the advisory boards—as you said, they have not been set up. I had assumed that perhaps some of them had met, but if none has met at all, there is a message there somewhere. The more local links that you mention have been

lost, but there would be some opportunities associated with the boards that you describe.

Councillor Foxley: To be honest, until Rob Gibson mentioned the boards, I had forgotten that they were supposed to exist, which tells quite a story. The bottom line in the Highlands is that the best interactions are between people on the ground who know and trust one another. They know one another's foibles and weaknesses, so when they are trying to action something, they are working with people whom they understand. There are far fewer opportunities for such interactions at present, which is one of our major concerns.

Lewis Macdonald (Aberdeen Central) (Lab): Would it be fair to describe the process that has taken place during the past three years, which you have outlined, as being one of centralisation? From your Highland and mainland perspective—I understand that island communities such as the Western Isles will have other perspectives—has what has happened been centralisation? Does that have consequences in terms of the type of businesses that are able to flourish with HIE support?

Councillor Ross: With regard to centralisation, my biggest fear is of a situation in which control and accountability exist outwith the Highlands. That is a far greater threat, and one does not have to read many articles in the media at present to see that it is a common theme that seems to be developing in a whole range of sectors. It is certainly a cause for concern.

There are fewer local links; we covered that issue in response to Rob Gibson's question. The greater concern is with HIE's ability to deliver some of the key services and initiatives that it delivered in the past, which can be traced to budgetary issues. I am realistic about budgets—we know where we are at the present time—but the issues relate to the way in which HIE has framed its strategies, where its priorities lie and the resources and the expertise that it has to deliver.

I will pick one example, although I am not suggesting that it is an overriding strategic priority. Several years ago, HIE established a community energy company, in which I and others here today were involved at the beginning. It achieved an enormous amount: HIE was able to support the company and put in resources, and it encouraged the company to deliver initiatives that were beneficial to the Highlands and Islands. Ultimately, the company was allowed to form an organisation in its own right as a company limited by guarantee, and we now have Community Energy Scotland.

It is unlikely that such a scheme would happen now. The benefits that came from implementing that scheme, both as a regeneration tool and as

something to help us address real challenges such as climate change, fuel poverty and the creation of opportunity throughout the Highlands and Islands and beyond, would not be brought about now. That is an example of some of the potential that has been lost.

Lewis Macdonald: You are right to think about the risks of having no Highland enterprise agency; the suggestion has been made and you are right to respond to it. For the committee to respond to it, we need to understand how enterprise in the Highlands has changed in the past three years, and what the drivers and the consequences of those changes are. I am interested in exploring that a bit further.

One of the other characterisations that I have heard in the evidence from a range of witnesses is that there has been not just a sucking into the centre within HIE and a loss of local accountability and connection, but a change in the kind of thing that HIE is trying to do. Scottish Enterprise has always placed a strong emphasis on account managing growth companies. It appears that HIE is now trying hard to be another Scottish Enterprise and to account manage growth companies first, instead of encouraging local economic development first. Is that a fair characterisation from your perspective?

Councillor Ross: There certainly has been a change of approach, and the focus is very much on growth businesses and account-managed businesses. To be fair, that is the hand that HIE has been dealt. The difficulty with that is that a number of businesses do not know quite where they sit. Whereas in the past they would naturally have gone to HIE, it is no longer clear where they should go if they are not an account-managed business; it is about how they can become an account-managed business. We have worked with HIE on that little pipeline in trying to move things on.

There is at least a perception—perhaps it is the reality—that if a business does not fall into a key sector or if it is not an account-managed business, it does not have access to support, whether in relation to training, guidance or advice. I do not think that that is the case. We have seen the business gateway develop and achieve a great deal. However, there is at least a perception of a gap between the business gateway and account-managed businesses. We have been working with HIE to ensure that we fill that gap or provide greater clarity, but that clarity does not yet exist.

Councillor Foxley: I will give some examples. The community action grant scheme is delivered through community account management, but a lot of communities out there have great ideas, some of which will succeed and some of which will not. We are worried about what is happening with

that at the community level. As Rob Gibson and many others in the room know, land reform was rolling before the community land unit was formed on the day of the handover of Eigg. To be honest, however, that sort of freewheeling—putting in the energy, the power and the money to make things happen—has fizzled out.

There is also the whole issue of businesses and their different perspectives. We all know of examples of businesses in the Highlands that require strong strategic support and others that have come in with ideas from well outwith the Highlands and which have failed. If a community concentrates on one business within a geographic locality, it is a little bit difficult for it to have the money and power to concentrate on others. People in the Highlands, both within the council and within the enterprise network, must take risks and they must have the resources. I repeat my point that both people and money are required if communities are to take the risks and put in energy where it is required. Land reform transformed the Western Isles in terms of community ownership. It transformed Knoydart and, in particular, Eigg, which you can see through the window. However, the chance of that happening today would be very slim indeed, which is a great pity, as there are still large areas of the mainland, both in the Highlands and elsewhere in Scotland, that require the same sort of community initiative with businesses, school populations and so on growing.

Lewis Macdonald: An agency whose purpose is account managing growth companies will not be the least bit interested in land purchase for communities in peripheral areas—that is, by definition, a completely different remit.

Councillor Foxley: That is absolutely right. Eigg and Gigha, where the local population is growing, are growing a local business sustainably in the long term.

Councillor Ross: There are community account managed areas, and much of that work is important and to be welcomed. However, the focus is very much on fragile areas, although there are other areas that still have significant needs. It is important that we ensure that those areas are also included. The community land unit has done some excellent work in the past and is still supporting areas that have community buy-out aspirations.

There are also wider challenges in terms of the availability of the resources that are needed to support community buy-outs. I suspect that that is probably not a topic that you want to delve into today, but it is a significant topic and I throw it into the mix. I have been involved in community buy-outs for a number of years—not quite for as long as Michael Foxley, but he is much older than I am.

Once you move into the Highlands and Islands, particularly the north and west, community buy-out is a key means of regenerating and supporting the development of communities. Lewis Macdonald will know that; the first time we met was at the forestry for people panel, which looked at what could be done with forestry in relation to community buy-outs.

However, to make community buy-outs happen, communities have to have resources, and the community land unit has been very successful in supporting them. To be fair to HIE, it has probably put resources into that area in the past, although I suspect that it is now less able to do that than it was. The big difficulty is with the loss of external funding from resources such as the Big Lottery Fund; the funding is not there, and significant opportunities are being lost.

As I have the floor at the moment, I will cite the example of forest crofts, such as in Embo, in east Sutherland, which is in my ward. I think about what could be achieved there through regeneration, social housing and support for the community. Buy-out has not happened not because the case has not been well argued, but because the resources are no longer available, particularly from the Big Lottery Fund.

Lewis Macdonald: If you want to protect HIE or enterprise in the Highlands from further centralisation, is the answer to decentralise again or to protect the status quo?

Councillor Ross: The way things were about three years ago worked reasonably well. There is an issue around capacity and expertise, and the recognition that the services need to be available to a wider group. Some of the current resource and budget issues are challenging, but there might be mechanisms for sharing services and costs that will allow a reduction in operating costs and the more effective use of some of the resources that are currently available.

HIE is already looking at how to lever in, to best effect, other resources as a multiplier, to maximise the gain. However, we need to take the wider view of what we are trying to deliver and to build on the good practice of the past.

Stuart McMillan (West of Scotland) (SNP): Highland Council's answer to the committee's question 9 ends:

"In most countries of the developed world economic development is more closely associated with local government rather than agencies of national government as in Scotland."

Does that suggest that Highland Council would like more resources and responsibilities to be given to the council and, as a result, removed from HIE?

Councillor Ross: The point in our written submission was an observation; it has already been recognised, in that the business gateway is now a local authority responsibility. In general, in the Highland and Islands, we take a positive view and focus on making things work. We are also trying to find an appropriate model for the needs of the Highlands and Islands. We have done that with the business gateway in a way that demonstrates that a local authority, working with key partners such as HIE, is able to deliver effective economic development.

As an aside, I should say that what makes our model particularly effective is that we used a vehicle, Highland Opportunity Ltd—our own arm's-length enterprise trust—which was able to offer a range of other services. The business gateway service was provided alongside other services and there was a natural synergy between them.

That does not mean that we are making a play for the full gamut of economic development services. Our agreed position is that we believe that having a stand-alone enterprise agency, such as HIE, is still to be preferred. We have some reservations about the recent changes to the way in which its services are delivered, but I will not go over those again.

15:30

Councillor Foxley: This time last week, I was up in Orkney with the convention of the Highlands and Islands. Comhairle nan Eilean Siar will give evidence later, but I can say that it was evident that, across the Highlands and Islands, there was great concern about Highlands and Islands Enterprise moving into Scottish Enterprise. The unanimous view across the seven local authorities in the convention was that, if there is to be a change, we would like the power and resources to remain in the Highlands and Islands, as well as the ability to work at community level and have strategic input where it is required.

The in-principle discussions that we have been having have focused on ensuring that accountability is provided by a joint board comprising representatives of the local authorities, with input from businesses in the Highlands and Islands. Clearly, the details of that are a matter for another day and will be subject to further discussion, but that is, in principle, what we are aiming for. Strong links to the development of the business gateway are also required, and there must be a strong area network. As was mentioned a few minutes ago, it is important that people know one another and are used to working with one another. That approach needs to be maintained.

Stuart McMillan: Would you say that there is an argument for Highlands and Islands Enterprise to

relocate from its current base and move to a place where it might stimulate a local economy? That might also provide more of a focus on the periphery of the Highlands and Islands instead of on the largest town in the area.

Councillor Ross: You will find that there is quite a bit of space in the HIE offices at Cowan house these days. For a combination of reasons, the levels of money available to HIE have dramatically reduced. As a Highland councillor, I tend not to get involved in arguments about the relocation of HIE to a place outwith the Highlands or even outwith Inverness. However, it is important that HIE has a devolved presence around the region—that would be true of any other body that was tasked with delivering that enterprise function.

Councillor Foxley: It is essential that HIE or any similar body be as devolved as possible—I include decisions about the location of its headquarters and the financial support unit in that regard. It needs to be spread across the Highlands and Islands. Of course, there are tensions across the region about whether it is located in one patch or another, and we are trying to keep a united front on that, but it needs to be devolved to as great an extent as possible.

Councillor Ross: On the issue of reducing operating costs, there is potential for shared services. I see no reason why that could not be delivered across the Highlands and Islands. The same thing applies to a range of public bodies that are trying to introduce efficiencies and savings.

The Convener: We have been joined by representatives from Comhairle nan Eilean Siar. I am glad that you have been able to make it to the meeting, even if your route was rather circuitous. I invite you to introduce yourselves and make an opening statement about your views on the changes that have been made to the enterprise networks since 2007 and how they have impacted on the Western Isles.

Councillor Angus Campbell (Comhairle nan Eilean Siar): I am the leader of Comhairle nan Eilean Siar. Callum Iain Maciver is our director of development. Sorry for the delay, but our aeroplane was diverted to Edinburgh, so we had to drive up here.

In our submission, we state that we feel that a lot of the functions of HIE that benefited the Western Isles have been lost recently. That is particularly true of support for relatively small businesses and community groups. We are keen that the functions of HIE be retained in the Western Isles and the other peripheral areas and island groups of the region.

As I sat down, I heard the question about relocating the headquarters. Our submission says that South Uist is an ideal place for the

headquarters. It is probably one of the most peripheral areas in the country, and would benefit hugely from such a boost to its economy.

We benefited greatly from the way in which HIE used to work. There is no doubt that it was a fantastic driver for the area. The change in policy for HIE to focus on the larger named businesses has certainly had an effect in our area. There is more and more demand from businesses and communities for Comhairle nan Eilean Siar to pick up the sort of work that HIE traditionally did. Our response is based on the fact that we want that fundamental service back in the islands and we want the resource that used to come with it. We recognise that there is a role for a strategic approach to the bigger projects in the Highlands and Islands, and we believe that that is the way in which HIE should develop in the future. It is also part of our approach to looking at how we can build up a good economic base among the public sector right across the Outer Hebrides.

In these days when we are looking at cuts in budgets and considering where we can change how things are done, the options for an island group are not so great, because if we are to lose a function, we will often lose it across the water. The people who lose their jobs often have to follow with their families, and that is very much against what we are trying to do in the islands. We argue that the best approach is to retain the function and work coherently with the rest of the public sector. It does not have to have a particular badge. We are not saying that there should be a takeover by the council. However, if we retain the function and work together well, we strengthen the economy and keep jobs and activities. HIE already operates its invoicing and payment systems through Benbecula and Uist, and that has worked well and been a good incentive to the economy there. We believe that we can do more with that approach.

The Convener: I intend to carry on with the questioning, as we were doing, and allow members to come back in with questions that they particularly wish to ask the Comhairle nan Eilean Siar representatives. The Highland councillors obviously do not have to respond to questions that they have already answered, but they should feel free to do so if they wish.

Ms Wendy Alexander (Paisley North) (Lab): I have two questions. The first is on resources. One of the advantages of our coming to the HIE region is that it enables us to throw a spotlight on what has been a real-terms cut of between 33 and 43 per cent in just the past three years. To put that in perspective, it is more than three times the cut that the entire Scottish Government budget will take in the next three years. In this time of prosperity, your funding has gone down by between 33 and 43 per cent, which has obviously caused some

pain, given that we are looking at only an 11 per cent cut in real terms across the entire Scottish budget in the next three years.

From listening to the evidence that we have heard so far, it is obvious that one consequence is that there has not been the resource to go around in the areas of community energy and community land ownership that perhaps existed in the past. I invite the panel to say a little bit more about whether those two areas in particular seem to you to remain strategic priorities for the region and what more might be done on them. If we were to decentralise much further, should we be alert to issues to do with economies of scale, capability and expertise in community energy and community land ownership in our considerations?

Councillor Ross: You heard my earlier comments on community areas. I certainly believe that it is highly unlikely—either in strategic priority terms or in terms of resources—that that work would happen now. In the Highlands and Islands, the real benefits that can come through community ownership are recognised. In this case, that could relate to renewables, land or some other resource. Community ownership is not just seen as something that allows access or recreational use. It actually brings income and value and encourages people to live and work in communities.

My professional background is as a forester, and I have seen that time and time again. There is a natural connection through a natural resource that people can manage, own and sell. Whether that is energy or trees or some form of enhanced experience linked to tourism, it means that people can live and work in the area. That applies to the community land unit and what is now Community Energy Scotland. Community Energy Scotland is now a stand-alone body. We are fortunate that it has got to that point. I hope that it will be able to retain access to resources that will allow it to offer support to communities.

The greatest difficulty that some communities will have in relation to community energy will be around pulling the resources together to allow them to invest and have that level of ownership in the resource. Exactly the same applies with land ownership. There are some real frustrations and lost opportunities out there. I have no doubt that the viability of some communities has ultimately been undermined as a consequence of that.

Councillor Foxley: Not only are those issues extremely important but we have barely scratched the surface. Look at what community land ownership has achieved on Eigg, which to be honest is just an offshore rock with two tenant farms and some really nice people. What can you achieve with a 100,000 acre estate next to an urban area?

On community energy, the landowners on the mainland are progressing hydro schemes only if they have a minimum 12 per cent return on capital. By and large, the communities are benefiting very little from that. We have barely scratched the surface in terms of what we should be gaining from community energy on the mainland and communities engaging in co-owning or outright owning their own schemes.

Angus Campbell, Ian Ross and I were up in Orkney, where we had a great discussion about the role of the Crown Estate in offshore renewables. We have barely started to scratch the surface when it comes to community interaction, the role of the Crown Estate, the role of the development of offshore renewables, and maximising the benefit of offshore marine renewables around the shores. Leases are being signed almost weekly, so that opportunity is being reduced. It comes back to the purpose of this inquiry. The role of a really powerful, strong, confident HIE in the future is very important, because it will have to work in partnership with the local authorities, the community and all the other public agencies.

Callum Iain Maciver (Comhairle nan Eilean Siar): Over the last period, we have seen significant development in both community land and community energy in the Outer Hebrides. More than 60 per cent of the Outer Hebrides is now owned by the community. We have seven community energy developers with consent for about 25MW of generation. They obviously need links to get their generation on to the grid, which is another significant challenge that we are facing in the Outer Hebrides. However, we are seeing real dynamic progress from the community land and community energy sectors. There is much more potential in that.

We are slightly concerned about the resources that are now available to community land and community energy to maintain that momentum. Community Energy Scotland is in some ways rowing back from some of the good work that it has done over the last period. We know that it wanted to invest in a number of projects in the Outer Hebrides, but it is now telling its communities that, unfortunately, at this stage it does not have the resources to put into its projects that it once thought.

There is significant potential, but we need to find a way to join up the various components of the Outer Hebrides strategy that sit in HIE, Community Energy Scotland and the community land unit. We are all singing from the same hymn sheet. It is about how you make that work more cohesively as a whole. The idea of cohesion within the Outer Hebrides formulated a lot of the response to the committee's call for evidence.

The Outer Hebrides is the most challenged and peripheral economy in all of Scotland. Our response was in many ways built on the challenges that we still face in our economy. We are losing population slowly year on year. Our economy performs at about 65 per cent of the wider regional economy and the Scottish economy. We need to find new ways and new resources to bring all those things together to work on behalf of the Outer Hebrides and the wider region.

I always think back to when HIE's predecessor organisation, the Highlands and Islands Development Board, was set up. It said that it had always to be judged on how it performed in the islands and the periphery of the west coast of mainland Scotland and that that would be the litmus test for its success. We must say that, because the economies of places such as the Outer Hebrides are not developing as fast as the other parts of Scotland and the region, we need a closer focus on those areas.

15:45

Ms Alexander: Some of the submissions that we have received have said that the challenge is to encourage further decentralisation. On the other hand, a number of submissions from the central belt have said that we should be encouraging further centralisation. The rationale for that, apart from cost saving, lies with energy and the opportunity that renewables represent. Scottish Enterprise dominates when it comes to producing the national renewables infrastructure plan, identifying the 12 port sites and building up capability internally.

My question to the panel is, how does HIE find a leading role in developing Scotland's offshore renewables potential, and do we continue to need an organisation such as HIE to ensure that the benefits that stem from renewables opportunities, whether off the west coast or off the east coast, are as widely dispersed across Scotland as they might be? There is a sense that HIE does not do transformational projects, so perhaps Scottish Enterprise should do it. We have heard a lot of noises like that coming from the central belt. What are the panel's views? Do you need HIE to ensure that the Highland interest is properly represented in the development of renewables?

Councillor Ross: My answer is a qualified one, but it is yes. It depends on the way in which we measure success. One of the real gains with offshore renewables will lie in where manufacturing and fabrication take place. If we consider it on a Scotland-wide basis, we find that there are yards further south than Scotland, let us say, that could still bring a measure of national success for Scotland. We wish them well and we

wish them success, but we want a share of it. Whether the manufacturing and fabrication is done at the Arnish yard, at Nigg or at other sites and ports that support offshore renewables, such as Wick, it is essential to have a strong voice promoting what can be delivered there.

I happen to think that those sites are well located. You will be aware of our frustration over the Nigg yard. It is essential to have a Highlands and Islands body. We in the council are also active, but HIE links into Scottish Development International and other organisations to promote what can be achieved in the area. Arnish and Nigg, for instance, can bring real benefit to the economy of the Highlands and Islands in the form of long-term, sustainable jobs.

With significant offshore wind and, in future, marine energy sites, we want there to be a clear understanding that, if a resource is being harvested or exploited in the Highlands and Islands, real, long-term benefits should come to the Highlands and Islands. My experience over some decades is that, without a Highlands and Islands voice, that need is not always as fully understood as it should be.

Councillor Foxley: I am inclined to be even blunter than Ian Ross. There is every prospect that we could have the developments to the north of the Beatrice field with no benefits whatever flowing to the Highlands and Islands. It is essential to have a strong voice to ensure that that is not the case. It is a matter of utilising the supply chain, the construction sites, the harbours, the training and a major community cash benefit along the lines of the Shetland oil fund. Callum Iain Maciver and I gave evidence on the matter to a Treasury Committee sub-committee back in March.

Returning to the subject of training, the environmental studies north of the Beatrice field are being carried out by the University of Hull. They should be done by the university of the Highlands and Islands.

To expand the discussion slightly, I will address the roles that Skills Development Scotland plays. Local authorities have had serious concerns about the delay in progressing the changes, and the organisation was severely criticised a year ago at the convention of the Highlands and Islands. Highland Council had a useful meeting with SDS on a range of matters on which progress was required, from Gaelic to renewables. We need to know what the job requirements are, who will provide the training and where the funding will come from. We have some pieces of the jigsaw, but SDS is a major player and, along with Highlands and Islands local authorities and HIE, it needs to feed into discussions with the Scottish Further and Higher Education Funding Council to ensure that funded places are available. However,

at the moment that is missing. There are real opportunities, but there is a real risk that we will lose the opportunity to maximise the advantages. I am sorry if I cut across Angus Campbell.

Councillor Campbell: I reiterate that we clearly see that HIE's strategic role has to remain within the Highlands and Islands. When you are dealing with major issues such as renewables, particularly marine renewables, the issues that you are dealing with have to be dealt with as equals. The worst possible outcome for us would be for HIE to fold into Scottish Enterprise. That is clear for our local authority.

It is crucial that we have a clear voice across the Highlands and Islands on issues such as the connection that we need to make renewables happen. A vital argument still has to be won on both the availability of the connection and its cost. HIE, with its strategic role, working together with what I believe is now probably the most coherent local authority collection in the Highlands and Islands for a long time, can make that happen.

When we look at the infrastructure, it will be necessary to start hollowing out a lot of these things. It would be ironic if we did not have a national programme to put in place the infrastructure in rural and remote areas, which have the best resource, because that will be needed to make renewables happen. We recognise the dual role and we see the strategic role very clearly.

The Convener: I return to the strengthening communities remit, which is perhaps on the other side from the strategic role that we have been talking about. The strengthening communities remit is seen as almost the unique selling point of Highlands and Islands Enterprise; it is certainly the thing that makes it different from Scottish Enterprise. At the same time, there is some suggestion that since the restructuring, perhaps because of the budget issues as much as the restructuring issues, there has been less focus on the strengthening communities side of HIE. I want to explore with both councils whether you think that the strengthening communities remit could be delivered by the local authorities as well as it is delivered by HIE. Alternatively, does HIE bring something additional to the strengthening communities remit that could not be delivered by the councils?

Callum Iain Maciver: Having the strengthening communities remit remain with HIE is in many ways slightly anomalous. On the one hand, HIE has been asked to focus on businesses whose growth would have an impact at regional and national level; on the other, it has retained the strengthening communities remit. As we discussed in the context of community energy and

community land, there is something very important in the communities remit.

In recognition of that, our local authority has put in place a set of community co-ordinators to work with communities across the area, which HIE has piggybacked on and is working alongside us on. HIE has brought in something called community account management, following a similar model to the one that the council was using. You start to get areas of duplication, so it makes sense to tie the whole agenda together and coalesce into one unit. Given the councils' remit to push forward on community development, it makes sense to bring it all together and focus on it, particularly if HIE is to remain focused on its task.

Councillor Ross: As a council, we certainly have not had any discussion about taking over the strengthening communities remit. It is probably more important that you have someone who can successfully deliver that area of service, which means that you must have people with both the locally based expertise and the resources to support it. If I were to highlight a particular concern now, I would say that that level of resource, both expertise and, to put it bluntly, cash, is no longer available. The issue is particularly important in the Highlands and Islands, for the reasons that we have discussed. There is a need that must be met to create opportunities, particularly in the context of the future of some communities.

I am sure that a council could take on the role, because we have very can-do councils in the Highlands and Islands. However, perhaps a benefit of the arrangements that we had up to three or four years ago was that there was good local representation and good resource through HIE, which worked effectively in partnership. I suppose that since then people have had to look for other ways of delivering services. It is clear that there are gaps in relation to geography, given the focus on fragile areas that we talked about, and in relation to the level of resource.

Councillor Foxley: The strengthening communities role is vital. We know what the UK financial settlement is and we are waiting for the Scottish local authority settlement. In the financial climate that we are entering, in which we face draconian cuts in education, social work, road services and so on, my personal preference is the model that was described earlier, which is the joint model across local authorities in conjunction with the business community.

Highland Council is facing a £60 million cut over a three-year period, including the current financial year. During the next two or three years, in particular, it could be hard to justify the risk of putting great energy into a community initiative as opposed to retaining certain school activities, for example. If you had asked me a few years ago,

my answer would have been straightforward—it would have been about the stronger role that could be played if enterprise at community level was kept separate. However, in the current climate, our preferred model is joint delivery by the local authority and the business community.

Councillor Campbell: The strengthening communities remit should never be underrated. In the Outer Hebrides it has made the difference between communities going down or staying up. I know that people might be a bit disdainful of some of the work that is involved and suggest that it is small beer, but it adds up to a big difference for communities that have been supported in the past.

Given the current climate, the best answer is probably a more efficient approach to delivery, so that what we have left in the budget to deliver in that regard is used most effectively.

Many communities that bought out land in the Western Isles face issues to do with keeping going the business of looking after the land. Such communities still need support to take them on to the next stage. We should not fall short in our aspirations. In the context of energy, for example, if a community is ambitious enough it can become a big player and part of HIE's strategic funding. It is no longer possible to say that communities cannot own huge parts of the energy delivery in the Highlands and Islands. However, help is needed to get communities to the next stage. Surely we all want to provide that help, to ensure that energy projects benefit the communities that have them.

There will be a particular need to secure community benefit as we move offshore and deal with the Crown Estate. Six or seven years ago, we set up the Western Isles Development Trust, which can perform many of the functions that HIE previously performed in relation to getting local communities the right level of benefit from local ownership—that is a bit ironic.

Rob Gibson: It would be interesting to explore the strengthening communities issue a little further. When Big Lottery Fund money was available to help to buy large chunks of land, nobody thought about how the land would be serviced, as Angus Campbell said. We can see that there is a solution to the problem, but nobody in the previous or current Government thought about how we would help the communities to develop, because we assumed that the economic situation would get better and better—at least, that was the mainstream view; I cannot say that I shared it.

In the context of renewables, can we stream back to Government the idea that HIE and communities could come up with a package that will maintain and develop communities?

Councillor Campbell: Yes. We do not say that renewables are the way forward just off the tops of our heads; much work was done 10 or so years ago on how we could turn round the economy of the Outer Hebrides. The one resource that we have that we can sell on—and it is the best in Europe—is our renewable energy resource. A person does not need a fantastic brain to be able to say that that is where we should concentrate our efforts.

It is about finding a way of enabling that. A lot can be done without grants. One way in which we have tried to use scarce resources is to have revolving funds such as the Harris tweed fund, which we have had over the past four years and which has proved extremely successful. I think that a revolving fund approach that allowed community organisations to access money to bring them to a stage at which they could feed back into the mix when they were profitable—we could call it a green bank, in that it would be centred on local needs and driven by what local people said they wanted to do—would be one tool that would help the situation.

16:00

Rob Gibson: You are talking about a loan-based approach, in other words.

Councillor Campbell: It would not necessarily be completely loan based, but it would be an alternative to a completely grant-based approach. Many of the business cases now make absolute sense for the communities as well as the developers. Recently, for example, local authorities have been given permission to sell electricity. In many cases, the business sense exists, but access needs to be provided to some start-up capital, because people are finding it hard to get it. As well as providing a level of support, we need to provide a mechanism that lets people get to the capital. We should look at reuse through a revolving fund principle.

Councillor Ross: We are all aware of examples that demonstrate that link. I suspect that many people around the table have visited Gigha. Following the community buyout, some of the loan has been repaid and renewables provide a significant cash flow.

We can do many things to bring benefits from renewables. Community benefit is valuable. A lease arrangement could be used, whereby someone else would provide investment but the real benefit would come from having a share of the ownership. Some years ago, when we were discussing community benefit, we did a joint exercise with Western Isles Council to look at larger-scale schemes. We were trying to push community benefit from about £1,200 a megawatt

up to about £4,000 or £5,000 a megawatt. That was our aspiration, but we made it to just under £3,000. With ownership, we would be talking about a gross return of about £200,000 to £250,000 per megawatt per annum. That would probably allow the loan to be paid off within five or six years. That is where communities have to be, as that is where the real benefits are.

It is not about grant money or dependency; it is about investing in the future of communities. If there is a means of achieving that, we will all gain. At the moment, there seem to be fewer means of getting to that point.

Rob Gibson: When we are talking about HIE being a strong voice for the transmission schemes that are needed from the Western Isles, I must put it to you that Highland Council has told the Scottish Government that it needs to step in to buy Nigg. Can we cope with such projects in the Highlands and Islands or are some of the sums that are involved now beyond the amount of money that we expect to see in the Highlands and Islands network?

Councillor Ross: I can give you 25 minutes on Nigg, if you would like.

Rob Gibson: I could give you 40 minutes in return.

Councillor Ross: All that I would say is that a multitrack approach is needed for Nigg, and one of those tracks is a potential public sector purchase. We think that the preferred option is a clean commercial sale, as that is the one that would realise the opportunity. I think that it is fair to say, on the basis of recent discussions with HIE and, indirectly, with the Scottish Government, that they share that view.

The hard reality is that if that is not possible—as you know, there are frustrations to do with the nature of the mixed ownership and the view of the owners, but I appeal for the opportunity to be recognised, particularly given the narrow window for renewables that exists—we will have to look at other options. The next best option—or the next worst option, depending on how you put it—is public ownership facilitating the release of the land. The third option is a compulsory purchase order. We are promoting the use of a CPO, but the legal reality is that that cannot be done just because we wish it to be done. That is the harsh reality of the circumstances.

Rob Gibson: I will not pursue that at the moment, because we could talk about it for 40 minutes.

In terms of overall strategy, do you think, at this stage, that the national development plans for renewables should be backed up by money, which could be distributed by HIE or go directly to the

comhairle or whatever, so that the fantastic potential that exists can be released?

Callum Iain Maciver: There are two issues. One is the silo approach, which might apply in the UK and Scottish Governments. In many ways, HIE and the local authorities understand what needs to be achieved to deliver renewables. We need the transmission network and power running over the grid at a transmission charge that allows projects to happen. When we break through that impasse, we will have the potential to release significant quantities of renewable energy from various areas. The Outer Hebrides has a range of consented projects that will not progress until transmission charging and connection are sorted out.

Under the national renewables infrastructure plan, significant capital will be required to support places such as Arnish. As for how that funding is delivered and channelled, if a national renewables infrastructure plan is in place, it should roll down into the single outcome agreements with the Scottish Government, in which each locality can say, "This is a key project for our area, it has coherence with the infrastructure plan and the Scottish Government and the local authority agree that it is a critical piece of infrastructure to invest in." If those mechanisms were used, the funding should run in a fairly straightforward way. If a relevant project had been identified in a single outcome agreement, the funding should run down through that into the project.

Rob Gibson: That is a fair point.

Lewis Macdonald: As a native of Lewis with strong family roots in Harris and Uist, I am bound to be very interested in the impact of economic development policies on the Western Isles, as well as on the periphery in general. I will explore with Comhairle nan Eilean Siar its perspective on the changes in the past three years.

If I am correct, Angus Campbell started by saying that HIE had been a fantastic economic driver over the medium to long term and that the strengthening communities remit had been vital to the progress that has been made in the islands. It is clear from what you have said that where HIE is now, after three years of working to a different remit, has concerned you and others in the Western Isles. What is the priority? You have talked about removing functions from HIE and taking them into the council. Is the priority to recapture HIE and put it back on track, rather than give up on it, or have the changes so damaged HIE's capacity to strengthen communities and boost economic development that you must start with something that is completely different?

Councillor Campbell: I am not saying that we must start with something that is completely different, but I will take the business gateway

experience in the Western Isles as an example. That has been hugely successful. On the ground, officers from HIE and the council have worked together closely and successfully. For a small council, the comhairle tends to put much more money into economic development than do many other councils pro rata, because we recognise how vital that is to us.

We recognised that small businesses and communities were not receiving help, so we have asked how that could be delivered again. That could be done through part of HIE working alongside the comhairle, in the same way as the business gateway has operated. As I said, I do not care what badge is used, but the function has a place in the islands that involves locally based delivery, particularly in places such as the Outer Hebrides, which are so fragile.

If the Government wants people to live where we come from, it must put something into the area, or that will not happen—other countries have shown that. Alongside that, we definitely see a strategic way of developing the bigger projects, which includes developments such as that at Arnish happening.

Lewis Macdonald: If HIE was refocused on the periphery, land ownership and energy—particularly community energy—would that make it able again to be a fantastic economic driver for the Western Isles?

Councillor Campbell: That might be the case if HIE were to be given back some of its local decision making. We must also not forget to consider how to work together more closely and efficiently across the islands at these times. There is a real opportunity for at least these two organisations—HIE and the comhairle—if not others, to work together better to deliver services. Doing that would need resource and the ability for decisions to be taken locally.

Lewis Macdonald: I assume that the resource would be better delivered in the context of a Highlands and Islands body and not by breaking HIE up into several different bodies. I am thinking of a Highlands and Islands body with more of a focus on the areas that are in greatest need. Do you share that view?

Councillor Campbell: That would be a way forward for us. It would be a way of doing things, as long as the focus was clearly recognised and responsibility to deal with the problems of the various areas is at the top of the agenda.

Callum Iain Maciver: Over the last period, HIE has moved away from the core base of businesses in the Outer Hebrides. Our economy is made up of a plethora of small local market businesses. HIE has moved away from that, yet those are the businesses that generate growth in

the Outer Hebrides. Our core base may be viewed as slow and incremental, but that is our base. For example, our chamber of commerce is reporting to us that its members say that HIE is not working for them at the moment. That is not to say that HIE has not invested over the years in excellent projects or that it does not have an excellent set of staff on the ground in the Outer Hebrides—obviously, it does—but I detect some frustration, even in HIE staff in the Outer Hebrides, about the task that HIE has now been asked to do. We have said that we should be beginning to join up what is on the ground in terms of the close working relationship between the comhairle and HIE. A shared strategy makes sense. Indeed, our elected members saw sense in taking the next step to join up strategies to make a more cohesive whole.

Lewis Macdonald: Am I right in taking from what you have both said that, instead of giving up altogether on HIE, you would rather that it returned to work for the local economy and local businesses?

Callum Iain Maciver: We believe that there is something to work on in terms of HIE's regional aspect. All the local authorities across the region could work together collaboratively and—potentially—with a reformatted Highlands and Islands Enterprise board. Our view is that it makes sense, particularly in these challenged times, for public finance to take the next step and coalesce local functions into one body. Our view is that the comhairle is better placed to do that than HIE is.

Lewis Macdonald: You appear to be saying that HIE cannot be recaptured to deliver economic development locally. My concern is that that plays into the hands of those who argue that HIE should be merged with Scottish Enterprise. I think that you said that that is the last thing that you want.

Callum Iain Maciver: Absolutely. Some of our elected members have described an amalgamation of Scottish Enterprise and HIE as a disaster scenario for the Outer Hebrides. If some of the current decision making is remote from the Outer Hebrides, it would be significantly more remote if an amalgamation of HIE and Scottish Enterprise were to take place. Of all the options, an amalgamation is the last thing that our elected members want to see.

Councillor Campbell: That is one reason why members took a long time before they made their strong representations. They are aware of the danger: they see that amalgamation is high on the agenda, but they do not want it to happen. That said, what is being delivered on the ground at the moment is not good enough for us. We need to get that sorted.

Stuart McMillan: A while ago, I was a member of the Parliament's Public Audit Committee. In

2007-08, that committee undertook an inquiry into NHS Western Isles. At the time, some folk made the suggestion that the comhairle should take on some health board responsibilities. The suggestion did not form part of the committee's recommendations; indeed, the comhairle did not appear to want that to happen. In written evidence, and in the evidence that you have given this afternoon, you seem to suggest that more functions should be taken from HIE and given to the comhairle. What is the difference between the two situations?

16:15

Councillor Campbell: Certainly during my time as leader, I cannot recall the comhairle saying that it did not want to take on some of the back-room functions of health. I do not know who gave that evidence. I used to be on the health board and I spoke strongly about the back-room functions of health and local authorities. One prime example was when payroll was moving for Clyde—I think it went to Glasgow—and I said that the islands should have the opportunity to bid for that service because it would provide jobs there. I am a little bit lost to say how the view came across that we are not keen to see what we can do, because it has been a long-time aspiration.

The three island authorities—Orkney, Shetland and ourselves—are doing some work under what I think is unfortunately called the single public authority approach, which immediately conjures up some sort of big bad daddy approach. This applies to health and other things; we are trying to get the message across that councils should not get involved in supplying medical services, but there is no reason why they cannot do payroll, human resources or building maintenance, for example. Doing that together across the island authorities will secure jobs.

As I said earlier, we see councils amalgamating on the mainland, but for us, that could mean very valuable jobs going across the Minch and leaving us for good. The work that the three councils are doing is due to be finished in March and, when it is finished, I hope that we will have a good case to put to the Scottish Government to show that there is a better way of delivering services in our island groups, while maintaining the numbers of jobs there.

Callum Iain Maciver: If there is to be public sector reform, it seems to the comhairle that more opportunities exist in the Outer Hebrides than would exist if we worked with a partner authority. We are being asked to bring different elements of the public sector together in the Outer Hebrides, and we are already working to the concordat and the single outcome agreements, so we are all generally signed up to the same strategy. If we are

going to reform the public sector, maintain jobs, and make the public sector more efficient, there is probably more opportunity within the boundaries of the Outer Hebrides than there is in finding opportunities for Outer Hebrides to work with mainland Scotland authorities.

The Convener: That concludes our questions. We have gone over our time a bit, but I am sure that everyone will understand why. I thank our colleagues from Highland Council and Comhairle nan Eilean Siar for coming to Skye this afternoon and for giving us your evidence.

16:18

Meeting suspended.

16:23

On resuming—

The Convener: Our second panel comprises representatives from local businesses and business representative groups. Before we move to questions, I ask the witnesses briefly to introduce themselves.

Stewart Nicol (Inverness Chamber of Commerce): I am from the Inverness chamber of commerce.

Lorne MacLeod (Jansvans Ltd): I am a director of Jansvans in Portree.

Campbell Grant (Sitekit Solutions Ltd): I am the managing director of Sitekit Solutions, which is a software company based in Skye.

Clive Hartwell (Skyeskyns Ltd): I am director of Skyeskyns, which is a tannery and visitor attraction.

The Convener: The inquiry is looking in particular at the impacts of the 2007 review of the enterprise networks. In its submission, the Inverness chamber of commerce says:

"The refocusing of HIE on account managed clients and the creation of Business Gateway for start-ups has created a large 'support wasteland' in the centre ground".

Can you expand on that comment? Do the other panellists agree?

Stewart Nicol: As was mentioned in the previous evidence session, HIE has been dealt a certain hand and is delivering the Scottish Government's objectives very well. The shift has been significant, but there has been a focus in the Highlands and Islands on the high-end businesses that have significant growth potential or intend to internationalise.

Anecdotal and other evidence suggests that the devolution of business gateway to the councils for delivery across the Highlands and Islands and the

move away from having a single entity in that respect have created what I have called a wasteland in the middle. In many respects, the move has failed to recognise the basic nature of most Highland businesses, which are the kind of small to medium-sized enterprises represented in our membership and by other membership organisations. Business gateway is being delivered well and HIE is undertaking its tasks well, but inevitably, as I say, we now have this large middle ground into which most Highland businesses fall. To be blunt, they do not know who to turn to. Of course, that presents opportunities for the private sector to provide business support to those who need it, but it is an outcome of the recent changes to the enterprise network.

Lorne MacLeod: As Stewart Nicol has pointed out—and as we have heard has happened in Skye—the concentration over the past few years on account-managed businesses and strategic organisations of great importance to the economy has meant that many businesses are no longer involved with and no longer access support mechanisms through, HIE. That is a shame. Indeed, the list of HIE approvals over the past few months shows the lack of actual penetration into the businesses that the organisation used to help. I am talking not just about important issues such as grants for capital purchases and development, for example, but about important and valuable mechanisms for businesses such as consultant advisory support, the Investors in People initiative and so on. The feeling among businesses in Skye is that if they are not account managed or especially looked at, they are not getting the level of assistance that they once received. In these economic times, such a situation will prove problematic for many businesses.

Campbell Grant: When we started up, we got a bit of support from HIE, which helped us to grow. In 1994, we received just £2,000 to help us to take on just one employee; now we have 25. The HIE of the 1990s and noughties was very effective in this part of the world. Skye and Lochalsh is a smaller area where everyone knows each other, and Skye and Lochalsh Enterprise did a great job in getting involved with local businesses. However, my impression is that, as Lorne MacLeod said, all that has changed. I have to say that I am going by impressions here because, as an account-managed business, we are still close to HIE. The council was supposed to take up the business start-up role, but I do not know whether it has done so effectively. In fact, given that it does not seem to have the resources that HIE had, I cannot see how it can do the same job.

On the other hand, starting up is not the challenge. From my experience of trying to grow a business over the past 10 or 20 years, I feel that getting started is actually relatively easy compared

with trying to grow out of the area or trying to grow internationally, and I actually agree with the original policy of getting HIE and the enterprise agencies to focus on ambitious businesses that are going for growth. That is the right strategy but, as I said, I do not think that councils have picked up their start-up role. After all, you need a pipeline of new businesses that are starting up and establishing themselves before you can hit the growth stage.

My experience as a business owner in the past couple of years is that HIE was slow in getting going in its attempt to focus on the account-managed businesses that met its criteria. That seems to be up and running now, but all the uncertainty of cutbacks in budgets has hit the effectiveness of the policy. HIE has not really had a chance to have a big effect on growing businesses. In summary, if the policy is to try to grow strong businesses that employ significant numbers of people and which can compete, that is correct and it should be supported.

16:30

Clive Hartwell: I have experience of all the stages. I first approached the HIDB in 1983. In fact, it was Sandy Cumming who signed the thing on his desk to get us going into the dark. We found the support and the confidence that that close support gave essential going into the dark. Later—about eight years ago—the LEC granted us an extension that developed the business further. By then we were more confident, but that had taken time and we did not have the close support. However, during those early stages, we had people in Skye and Inverness with whom we could discuss issues in detail. They had a financial or commercial background and a close understanding of the area. We are now an account-managed business. I can now see the real value of the continuity and the confidence that that gives us not only to continue to grow, but to step back. We found the forward-planning advice from the high-end experts who were brought in to be invaluable in giving us the confidence to grow our business.

We have seen the effect of having a business that, over the years, has achieved a firm grounding and respect in the community. We have had an effect within the community. On Waternish, which is almost as remote from Portree as the Western Isles are from western Scotland, we have established in a way that draws people in through a tourist-related business. Thirty-five small businesses have been made into a business group there, although some spill over. I detect among them a resentment that the business gateway is not fully understood and is at its early stages. I would like a bit better communication, in

both directions, on the business gateway, but I do not see why it cannot work.

Looking back over the years, I believe that smaller businesses need close support from somebody on the ground. HIE is far enough away from us already, so a general move to centralise it or take it further away would be a mistake for the smaller communities and the drivers of the local economies.

The Convener: HIE has the strengthening communities role, although it now appears to be concentrating more on a smaller number of very fragile communities. Given that there appears to be a gap between the business gateway's start-up role and HIE's account-managed role, who is best placed to plug that gap? Should HIE come back to do that job or should the business gateway expand its role upwards to meet the point at which HIE takes over?

Stewart Nicol: I argue that that middle ground is an opportunity for the private sector to deliver. Chambers of commerce and other membership organisations in the private sector are about business and understanding the needs of business. There is an opportunity there, and that does not involve the top end coming down or the bottom end going up.

The Convener: Who should have the responsibility for ensuring that that happens? The gap is still there, so the private sector is clearly not doing that. I presume that someone has to take the initiative to ensure that the private sector delivers. Who would that be? Would it be the local authorities through the business gateway network, or Highlands and Islands Enterprise?

Stewart Nicol: It is strategically much better placed with the enterprise agencies that are delivering economic development—they are much better placed than the councils for that. In the context of our discussion, it is important that there is a Highlands and Islands agency that recognises the specific needs of the Highlands and Islands.

Lorne MacLeod: Highlands and Islands Enterprise is best placed to carry out the strengthening communities role because of the wide perspective that it has and the expertise that it has built up in the likes of the community land unit. It has also had the support of Community Energy Scotland in delivering many projects locally, which is of fundamental importance.

Over the past three years, HIE has concentrated its efforts on the large, account-managed businesses and the strategically important projects. A lot of the strengthening communities role has been put to one side, and HIE is playing catch-up at the moment in delivering community account management. It is not yet embedded—HIE is in the process of doing that at the moment. I

would say that HIE would be best placed to fulfil that role.

Clive Hartwell: I agree that HIE has the expertise. My experience of the council is that it is learning the game as it goes along. The confidence of the small business community is much more with the HIE expertise than with the council.

Campbell Grant: I agree with Clive Hartwell that an economic development agency is required. It is not something that sits well with local authorities. Companies must be encouraged to grow and go outwith their areas. Why should a local authority encourage a company to do that? We have an office in England, and a lot of our resource goes into building up that office in order to help our sales and marketing. Business is not a local thing—it should be national and international, and that can be facilitated much better by an economic agency.

The Convener: One could argue, however, that HIE does not have much interest in your developing your office in England.

Campbell Grant: Absolutely.

The Convener: Somebody has a mobile phone switched on, which is interfering with the sound system. I ask everyone to check that their phone is switched off.

Rob Gibson: The first HIDB report quotes Bob Grieve's remarks in a paper:

"No matter what success is achieved in the Eastern or Central Highlands ... the Board will be judged by its ability to hold population in the true crofting areas".

It goes on to analyse the possible methodology in pursuing the aim of a balance of priorities between east and west.

There seems to be a contradiction between what Stewart Nicol says about the need for one organisation and what Lorne MacLeod and others are saying about the need to have more local delivery. Lorne MacLeod suggests that there should be an equivalent of Údarás na Gaeltachta, as delivered in Ireland, for the more remote and rural areas. When we think about HIE in the future, can we accept that there are parts of the Highlands that are much more successful now than they were when HIDB was set up and in 1990 when HIE was set up? Should we shift the emphasis on to the more remote and rural areas?

Lorne MacLeod: I find it very strange that, after 45 years of HIDB and HIE, the boundaries have remained static, apart from the addition of Moray some time ago. We should recognise the success of the city of Inverness and the inner Moray firth and congratulate those places on what has been achieved there.

Of late, I have found it very difficult to understand the distinction between Scottish Enterprise and HIE, its role in strengthening communities put to one side. They are doing the same thing—account managing businesses and looking at the major strategic projects. There must be a focus on the remote and fragile areas, learning from the example of Údarás na Gaeltachta. The city of Inverness and the inner Moray firth area should come under the remit of Scottish Enterprise, as there are projects of great importance to be delivered in those places. There is a great need for an organisation of the nature of Údarás na Gaeltachta and a refocusing of HIE. It is very strange that, for 45 years, the boundaries have been almost constant. That does not acknowledge the success that has been achieved and the changes that have occurred over those 45 years.

Rob Gibson: But is it not the case that Inverness has always been at the centre of things? Inverness is a success story, so is it time to change not just the focus but the centre of gravity?

Lorne MacLeod: I agree.

Clive Hartwell: If I am reading him right, I think that that is what Lorne MacLeod was saying. Inverness is established as the great dynamo of the Highlands and it is clear that it is extremely successful. Skye is a fragile area, as are the other remote areas—I speak from a fragile area, too—and they now need the same support as they grow carefully and not always successfully. They need to have confidence that they will have the support to take those entrepreneurial steps. That is what will drive the economy forward.

Stewart Nicol: Perhaps as expected, I urge some caution. Let us recognise that HIE has a regional area office structure that could be focused on the fragile areas. That has not changed and the regional offices might have extra or different tasks. Perhaps that could be refocused. It is true that Inverness and the inner Moray firth have come on by leaps and bounds since I first came into the area 30 years ago. That success story is largely due to HIE's work and I do not think that we are finished yet. There are a few major strategic, literally transformational, projects such as the Beechwood campus that still need input from an enterprise agency. Yes, that project will benefit Inverness and the inner Moray firth, but societally it will change fundamentally the nature of the Highlands and Islands. The UHI and the building that we are in at present are an example of the centre benefiting the wider Highlands and Islands economy, or however you want to define it.

Rob Gibson: We are talking about effectiveness to deliver. Although we bring reasonably open minds to the situation, our

difficulty lies in establishing how effective the enterprise network is. I am not thinking about structures as such, but it has to be seen clearly how money that is limited is focused. Are those transformational projects not too big for HIE to handle?

Stewart Nicol: They might be at the upper end of HIE's capability, but there has been good evidence of success as well as inevitable failure in significant projects. That still needs to be delivered with a particular Highlands and Islands understanding.

Rob Gibson: So, to be effective we need to see business start-ups in each area. It is well known in the wider academic and political worlds that Scotland has far fewer business start-ups than Ireland or Iceland, and certainly fewer than Norway and many other countries. The problem is not endemic to Skye; it is more widely endemic. In its current or another format, is there anything that HIE could do to change that in the Highlands and Islands? Can anyone help us on that? You are the success stories out there.

Campbell Grant: It is not necessarily HIE's job. That enterprising culture does not come solely from saying to HIE, "Transform our economy". It starts with families, in schools and with Government, too. Wealth creation, and economic development, is part of the culture; it is not separate and it should be prized.

I will have a go at you politicians. When you are looking for our votes, it seems to me that all the rhetoric is about how you will spend our taxes. There is little talk about how we will grow the tax base and create a culture and a society in which it is a good thing to start a business and grow it, to make a profit and to reinvest it in other businesses and more jobs. That is not just an enterprise agency job. Enterprise agencies have an important role in helping to grow businesses and providing training and support for businesses to grow, but it really starts in schools.

Too much of what seems to be going on in Edinburgh, say, is about creating equality. Business is not about being equal—it is about creating a sustainable advantage, which will often be an unfair advantage. That is how people make money and become successful. I think that we have forgotten how to be successful in Scotland. It starts at the top. Members should be encouraging such behaviour in their roles in Edinburgh. That will then go right through the rest of society.

With regard to the cuts, a lot of emphasis is being put on the private sector growing and picking up the public sector jobs that will, it seems, be lost. The HIE and Scottish Enterprise budgets should therefore be increased, not reduced.

16:45

Clive Hartwell: To echo that and return to the role of HIE, the enterprise culture is imitative if people see successful models around them and have that support. My business is an account-managed business, and I feel a moral obligation to feed something back into my community and to encourage and lead smaller businesses. I have seen smaller businesses taking a step forward and working together. As Campbell Grant says, HIE cannot do things directly, but indirectly, the enterprise culture is one of mutual support, role models and, I suppose, moral leadership from those who have been supported.

Stewart Nicol: There is a feature that challenges us all. In Scotland, we have an issue with failure. In America, for example, it is largely recognised in the business environment and the business mindset that failure is good, but we do not have that culture or perspective. It would be a brave development manager in HIE who said, "I'm doing really well. Eighty per cent of my case load has failed this year." However, becoming much more entrepreneurial and developing businesses and business thinking needs to be part of our mindset. Failure should be part of an accepted process to strengthen the eventual success.

Lorne MacLeod: There is a role that HIE performs exceedingly well. I return to what was discussed in the earlier session, and refer to community land ownership. I was fortunate to be an Isle of Gigha Heritage Trust director for six years and to see the transformation that happened there. The issue is not just land reform; it is business development. The turnover of the wind farm, the hotel and other organisations under the trust's umbrella was the best part of £1 million. There were 20-odd staff, particularly in the hotel season, the population went up from 98 to 155, and the primary school roll went up from six to 24. An island community was completely transformed. To bring in the renewable energy strand, the wind farm there has generated a net surplus of £100,000 to £150,000 for the past four years, and that has gone straight back in. It is not a matter of dependency on the public purse, particularly in these times of budget cuts. That whole island has been allowed to develop. That is a success story, and HIE has helped. As I have said, it is not just a matter of capital grants; there is hand holding and advisory support. HIE does that kind of thing and replicates it elsewhere particularly well. Perhaps that should be concentrated on more in the future.

Lewis Macdonald: I am interested in that point. It has emerged in evidence that what makes Highlands and Islands Enterprise distinctive is that it links economic development and growing the tax base—somebody mentioned that—with strengthening communities. It is clear that the two

go hand in hand. The former cannot be done without the latter, particularly in the communities in the areas that we are talking about. Is there anything more that HIE ought to be doing? The removal of the business gateway function takes away some of the connection between the community and the smaller businesses. Should HIE be doing more as a strategic agency to strengthen the link between its economic remit and its social remit, or have the changes in the past few years undermined that?

Lorne MacLeod: I personally feel that it was better when the business start-ups were all within one agency, in HIE. The business gateway that has been set up is underresourced, which is unfair on Highland Council and Comhairle nan Eilean Siar in terms of taking it forward.

We need integration and a one-stop shop, because business development and community development must work together. The other missing link at present is skills development and the training support that existed previously. Skills Development Scotland has been almost invisible in the communities in which I work, and further work is needed to bring that support back.

In Skye, we used to have a training course brochure called "Link" that provided listings for businesses of all the short courses on marketing and tourism. That seems to have fallen away, which is regrettable.

Lewis Macdonald: Do other witnesses have a view on whether more should be done in that regard? Lorne MacLeod has said that it is not that HIE is not doing enough; it is simply that its remit in that area has been taken away. That applies to skills as well. Do other witnesses believe that disintegrating skills, business development and community development has damaged HIE's work in the Highlands?

Clive Hartwell: It must be something to do with the budget, but we are not privy to information on that. It would be better if HIE occupied the business gateway vacuum, and everything was joined up. I do not see a problem with creating a model in which seedcorn money is available for individual projects and account-managed projects to ensure that there is a larger development and momentum in the area. That would be of great assistance.

We have benefited from HIE's training aspects since our time with the agency. The training and skills area is perhaps not widely known or generally used, but it is immensely important.

Campbell Grant: I concur with that. It was certainly more integrated before. There are now separate people, and they do not seem to link up terribly well. As a small business owner, I have relationships with a lot more people and it is

harder to keep track of who does what. It was simpler in the old days.

Clive Hartwell: One exception is HIE's resource bank of high-powered experts that we can call upon. We have found that to be very effective for our business in terms of continuity, growth and joined-up thinking. It gives you the confidence to do things that you would not do unless you could call on someone who really knew where you were going. The experts do not hold your hand; they show you the whole thing and apply rigorous business sense in any decision taking. That has been a powerful resource.

Campbell Grant: I have one more point about the structure. Remote and fragile areas are not necessarily all in the Highlands; there is an argument for some sort of split between an urban system and an agency for all remote areas in Scotland. That could include the Borders, for instance, as the issues that face businesses in remote areas are common not only to the north of Scotland.

My personal view is that it is not about the size of the business or even its location; it is the businesses' stage of maturity that really separates their support needs. When you are starting up, you have one set of support needs, and when you are growing but are still a small or medium-sized enterprise with fewer than 100 people, you have another set of support needs. Beyond that, larger businesses have a completely different set of needs.

Somebody asked what support businesses need. I think that a geographical split is artificial. If I was sitting where you are sitting, I would get HIE to focus more on ambitious and growing businesses, but I would keep going beyond that. It is about not providing the same set of services to everyone on an equitable basis, but targeting support to needs. That way, you are much more likely to get a return on your public sector investment in the private sector.

Lewis Macdonald: We heard from the first panel that the worst possible outcome would be a merger of HIE and Scottish Enterprise into a single Scottish enterprise agency. Would any of the four business representatives on this panel volunteer their area to be integrated into Scottish Enterprise?

Stewart Nicol: We recognised that a single agency could be the way forward, but we strongly made the point that it would have to be based in Inverness or the Highlands, otherwise that would be it. It is about the cultural side of things. We made that decision, although it is interesting that our Scottish Chambers of Commerce colleagues made a slightly different submission. However, we are a broad family. We recognise that, given the

challenges that we are currently facing, we have to think radically and make difficult decisions.

Lewis Macdonald: But none of the businesses based here in Skye would want to be involved with that.

I am interested in the point about location. Is it not the case that the difference between HIE and Scottish Enterprise is in their history, their culture and what they are trying to do? That has been muddled a little bit in the past three years, but, fundamentally, it still distinguishes an agency that deals with diverse, remote and rural areas, which has a social remit, from an agency that has a national, strategic focus on big projects, big inward investments and strategic priorities.

Lorne MacLeod: That is the distinction between Scottish Enterprise and Highlands and Islands Enterprise. I certainly would not support Scottish Enterprise coming into this area. I know that you do not want us to go on to location, but I feel that the fact that HIE is based in an Inverness retail and business park beside a multiscreen cinema and a Burger King does not give those involved the best perspective on life in Lochboisdale and South Uist, or on the periphery of Orkney or Shetland. I certainly concur with Comhairle nan Eilean Siar on looking to relocate the headquarters to South Uist.

Lewis Macdonald: You would perhaps come together in agreeing that Inverness should be running the Lowlands and South Uist should be running the Highlands.

Campbell Grant: The traditional idea of an enterprise agency is that it has to be located in a big building in a city and that it has to be staffed by civil servants. It does not need to be like that; it can be much more dispersed. As Clive Hartwell said, what businesses are looking for is financial support at certain stages in their growth; after that, it is about getting advice and an example, and being in a community of like-minded people and businesses, where things can be shared. It is not necessarily Government employees who can provide all the best advice; the businesses themselves can do that. There might be a model whereby agencies such as the chambers of commerce or the Institute of Directors could help to provide a lot of the advice and mutual support that people tend to look to the enterprise agencies to provide. I do not know whether that is the only possible model; it could be much more radical.

17:00

Clive Hartwell: An interesting parallel is the Highlands of Scotland tourist board being devolved to VisitScotland. That totally undermined the confidence of most of the people who were involved with the organisation. HOST took a

hands-on approach. We had an area management committee, a close relationship with people who knew not only the businesses but the people, and communication lines were very good. Since that went, the situation is much more difficult.

Stewart Nicol: It must be recognised that HIE is active on the middle ground and, again, the model is engagement with the private sector. We are in the final couple of months of delivering a pilot business mentoring project across the Highlands and Islands. The project, which is open to all businesses at all stages, is funded from Cowan house with matched funding through Europe. It is also funded through the private sector in kind, by experienced businessmen and women giving their time to develop businesses across the Highlands. HIE is effectively offering that service right now across its territory, not through offices but through local mentors that we select on behalf of the businesses.

Lorne MacLeod: One of the other points to make is that Clive Hartwell's business and Campbell Grant's business are account managed. Ours is not. We have 20 employees based in Portree.

There seems to be a danger further down the line of the organisations becoming two-tier organisations. I have been speaking to people who are involved in the tourism industry in Skye, one of whom is account managed and one who is not. It does not allow for a level playing field, and there needs to be more openness and transparency in the criteria by which account-managed businesses are identified. That must be part of the committee's recommendations for the future.

Ms Alexander: There has been some interesting discussion this afternoon about the need to preserve two organisations with the possibility of moving the boundary westward to a point that is, as yet, undefined. Interesting evidence has been given about how that might help to focus the account management work, or the work with large or small businesses, more effectively than is happening at the moment. Is there an issue with HIE's capacity and ability to represent the region as a whole in Edinburgh and against Scottish Enterprise, and to deal with some of the areas that we talked about with the previous witnesses, such as support for community land buyouts to be fully developed into fully fledged, diversified estates, the full potential of Community Energy Scotland to be fully realised in every community, the community benefit agenda and the Crown Estate? How do we think through the trade-off between moving the boundary westward and focusing on peripheral areas, which has been in the mission statement for 45 years, and the risks to capacity that that might bring? Does the panel

have any thoughts on that? It would be helpful because I think that the committee will have to wrestle with that issue in the coming weeks.

Stewart Nicol: You have raised a challenge for us all. This goes back to the transformational projects that HIE can deliver at the moment. The biggest single issue that we are engaged with at the moment, which faces all businesses in the Highlands, is broadband capability. HIE has done a fantastic amount of work on that. It has produced a road map, and engaged with the Royal Society of Edinburgh and the committee. That has been done by HIE's key development manager, who is based in the Uists. The skill can rest anywhere in the Highlands. The legitimate concern that you have raised is about how, if we just change the nature of what HIE does and we shift it west or north, it can engage on issues of strategic importance with sufficient gravitas to make Holyrood and Europe listen?

Lorne MacLeod: Earlier, it was stated that the local authorities appear to be very much up to the task. They work very cohesively through bodies such as the convention of the Highlands and Islands. If there were any move to the west or the fragile and peripheral areas—not forgetting Orkney and Shetland—the convention and the local authorities would speak with a unified voice about factors that they felt were strategic to the whole patch. I think that that is how things would work. The convention of the Highlands and Islands and our local authorities work extremely well together and have a strong voice.

Campbell Grant: If HIE is smaller and more focused, it might be easier to ignore. That is a danger.

Clive Hartwell: I do not have the background to comment on strategy in that way, but my gut feeling is that, if it is a question of resources that is behind the rationalisation and the impulse to merge or become more centralised, the fragile areas should be protected and the budget should simply be reallocated and shifted west.

The Convener: That raises the question whether, given the current boundaries, Highlands and Islands Enterprise would have the capacity to cope with the closure of RAF Kinloss and RAF Lossiemouth while continuing to provide the services that are needed in the west.

Lorne MacLeod: My view is that Scottish Enterprise should take over the inner Moray Firth area and the city of Inverness. Scottish Enterprise has great expertise with those sorts of rundowns and changing economies, so it would be well placed to undertake that role in Moray.

Lewis Macdonald: That raises an interesting question. If Moray loses its two RAF bases and the 6,000 or so associated jobs, there will be a

huge knock-on effect, especially if other major public sector employers go. At the moment, much of the replacement economic activity will come from locally based small businesses, at least in the first instance. Is that not precisely what HIE—in its previous form, before it lost the business gateway—was very well placed to deal with?

Lorne MacLeod: Absolutely. At the end of the day, Scottish Enterprise has to consider the business mix in each of its sectors and concentrate on those that can make the radical change that is needed. I would certainly not underplay the importance of a concentrated effort in Moray, but I would hope that Scottish Enterprise would be very much up for that task.

Stewart Nicol: I apologise for using another Inverness example, but the burgeoning life science and rural science activity that is based in the centre for health science in Inverness is employing large numbers of highly paid and skilled people from around the globe. That did not exist 20 years ago. The challenge of handling the rundowns of the public sector and the RAF bases in the area involves the provision of seedcorn funding for new industries that none of us around this table knows about yet.

Stuart McMillan: I stay in the Inverclyde area, which has not yet fully recovered from the decline of the shipbuilding industry 25 or 30 years ago. I cannot see that Scottish Enterprise will have the answers for Moray, which is three and a half hours or so away from Glasgow and Edinburgh, when it has not had the answers for Inverclyde, which is only 25 miles from Glasgow.

Lorne MacLeod: Again, Moray used to be part of the Scottish Enterprise area until it was taken over by HIE in the last decade or so. Obviously, Scottish Enterprise has some sort of familiarity with that patch.

Stewart Nicol: The important thing for all of us and for HIE is the building of a strong economy. Many people who live and work in the Highlands or were born in the Highlands will not have a clue that there was once a smelter at Invergordon or that there were two massive oil rig construction yards within sight of Inverness. There is a whole generation of people who are unaware of that. The economy is not what it was, but it is better than it has ever been, in many respects.

Campbell Grant: We do not need to use a geographic model. As Mr McMillan said, Inverclyde has not recovered after all these years, and that situation is about to be replicated in Moray shortly. The issue is expertise. Highlands and Islands Enterprise has many people who are experts on issues to do with starting up small businesses in rural areas. That is not a geographic

specialism; it is something that could be applied throughout Scotland.

Clive Hartwell: Also, we are thinking about things that cannot return. The past is gone. We must look to the future. Young people are the future and, increasingly, young people can see a future in our part of the world—in my part of the world, certainly. They need the smaller seedcorn support and the help of people with an understanding of the local conditions if they are to create an economic engine for the future.

Stuart McMillan: If the worst-case scenario happens and many people with expertise leave the area and many of the younger people feel that there is little or no future for them in Moray, even with the assistance of Highlands and Islands Enterprise or Scottish Enterprise, how can we entice people to return to the area? Inverclyde has lost 20,000 people over the past 20 years and I have spoken to people who would not move back to Inverclyde because they feel that there is very little there for them now. That situation could be replicated in Moray and elsewhere.

Campbell Grant: That is not something that can be fixed in the lifetime of a Parliament. Industries that are in decline will not come back. It takes a long time to build up new industries. You can only create the conditions; you do not have the budget or the power to magically create a new industry in a particular locality. That has to be done by the private sector.

Clive Hartwell: Keeping young people inspired involves strategic and visionary political decisions; it is not an immediate thing. Seedcorn funding is important, though, and momentum is gathered through inspiration.

The Convener: I thank everyone on the panel for taking the time to give evidence this afternoon. The session has been interesting and helpful.

17:13

Meeting suspended.

17:19

On resuming—

The Convener: I welcome our third panel of witnesses, who represent the views of social enterprises that are based in the Highlands and Islands Enterprise area. I ask them to introduce themselves and say who they represent, after which we will move to questions.

Robert Livingston (HI-Arts): I am the director of HI-Arts.

Norman Gillies (Clan Donald Lands Trust): I am the development director of the Clan Donald

Lands Trust, which owns an estate of 20,000 acres in the south end of Skye. We are seeking to develop the estate as far as possible, and to do that we need a strong Highlands and Islands Enterprise.

Martin Wright (UHI Millennium Institute): I am the director of marketing and communications at the UHI Millennium Institute, which I hope before too long will be the university of the Highlands and Islands. It is probably one of the few organisations that cover the entire HIE area and beyond—we take in Perth College as well.

Angus MacMillan (Stòras Uibhist): I am the chairman of Stòras Uibhist, the community company that took over the South Uist estate. It owns 93,000 acres between Eriskay, South Uist, and Benbecula. The area has a population of about 3,000 people. The operation started in 2003, with the purchase taking place in December 2006. We are fairly new, but we think that we are going in the right direction. We understand the committee's remit as being to carry out a fundamental review of what the remit of an enterprise agency should be and to review the success or otherwise of the recent reforms.

Donald MacDonald (Aros): I am the managing director of the Aros centre in Portree, in Skye. I also chair Commun na Gàidhlig, which is one of the development agencies for the Gaelic language, and the Gaelic Arts Agency. In addition, I chair the board of a community account-managed area in the north of Skye.

Howard Vaughan (Columba 1400): Good afternoon. I am Howard Vaughan, finance and operations director at Columba 1400, which has a community and leadership centre in Staffin, in the north-east of Skye. We have been running for 10 years and specialise in youth leadership programmes for young people from what we call tough reality backgrounds. We have had 4,000 young people through our doors in those 10 years.

The Convener: I will start by raising some issues that have come up in the evidence that we have received today—both written and oral—on the gaps that seem to have appeared in what has been available in the Highlands and Islands Enterprise area since HIE's restructuring in 2007. I will focus particularly on the strengthening communities remit. There is some suggestion that, as the fragile areas have become defined on a narrower basis, fewer communities fall into the fragile areas category, which means that a number of communities that are in need of regeneration are no longer considered for support. Rob Livingston makes that point in the written submission from HI-Arts. Is that view shared by the social enterprises in the area? Are communities not getting the support that they would previously have received through HIE? If

so, should that gap be filled by HIE taking the remit back or should it be filled by the local authorities?

Robert Livingston: Part of the difficulty is an increasing compartmentalisation within HIE. I declare an interest in that we are contracted by HIE. When we started working with the strengthening communities team, we were working right across the board within HIE and with the network of LECs. Increasingly, over recent years, we have also been working with the creative industries team. The specific focus that the strengthening communities team now has on social enterprises has opened up a space between what it is doing and what other HIE departments are doing, which is unhelpful. It is a different kind of gap that is emerging from the one that we have heard about this afternoon; it is not linking up the notion that the creative industries have a big role to play in strengthening communities. It is important that we get back the coherence and integration within the organisation.

Norman Gillies: I have a very simplistic view of this issue. Creating a development environment requires communities to be strengthened, and that was all part and parcel of what HIE used to do—and did well—before the changes. I am not quite sure why the changes were made; I do not think that HIE as a development agency would have wished them upon itself and take it that they were wished on them because of political pragmatism as a result of a change of emphasis. In any case, the move has not served the Highlands and Islands community well, and there have been a number of discrepancies in HIE's management of different businesses. It would be nice to turn back the clock, because we are now missing the very important role that HIE played at a strategic level. I also feel that skills form an integral part of economic and social development. I would be much happier talking to an agency that can deliver well in a variety of sectors instead of an agency that is focused on transformational businesses, which are very hard to find in the Highlands and Islands.

Martin Wright: I echo much of what Norman Gillies has said. In the Highlands and Islands in particular—and perhaps elsewhere—economic development, community development and skills development are inseparable and their fragmentation as a result of the changes has been unfortunate. The changes themselves have caused disruption. It has taken—and is still taking—time for organisations to adapt to the new structures and, although I am sure that, with the strong tradition of partnership working in the Highlands and Islands, the various bodies will in time come together and join up their approach, I think that the changes were unnecessary.

Angus MacMillan: Earlier, Rob Gibson made the point that if you have not succeeded on the west coast and in the fragile areas, you have not succeeded at all. You have to ask yourself why that is and, to me, the question is what has happened to the focus on retaining population and creating employment. I have no doubt whatever that a reformed HIE is the way forward and believe that it should not amalgamate with Scottish Enterprise, because, if that happens, the focus will disappear even more.

In my submission, I talk about the format of *Udarás na Gaeltachta*, which concentrates on business, social and cultural issues. Scottish Enterprise does not focus on such matters to the same extent. We have to understand what makes those fragile areas tick and any reform will happen not through a reformed HIE but as a result of the people in those areas coming up with ideas; all a reformed HIE—or *Ughdarras na Gàidhealtachd*, if you like—will do is act as a catalyst, provide financial support and support in other ways through development partners or whatever and ensure that these things happen. We need a mix of measures, and it will be the community companies that have been bought in recent times that will be the vehicles for bringing forward ideas on how to sustain those fragile economies. It will not be Inverness or Edinburgh, although they will act, for example in the purchase of the South Uist estate, which included £2 million from HIE and £2 million from the Big Lottery Fund. However, the first thing that happened to that was that it went straight down the A9 and beyond, to Edinburgh and London. That leaves us with a community that needs to start from scratch in developing and progressing projects.

17:30

The South Uist estate was bought for £4 million; it is probably worth £8 million to £9 million now, on the balance sheet. That is community enterprise, but it is also business—they cannot be segregated; it is both. That will work only with a recognition that the agencies concerned—whether it is through the local authority or Highlands and Islands Enterprise—are working through this organisation, which will deliver change.

Donald MacDonald: Everybody you speak to today will be of the same opinion—nobody wants to see the demise of HIE. Personally, I think that it is a tragedy that we have lost years and years of experience among staff who were in HIE. We cannot roll back the years—we have to start again.

I agree with what Lorne MacLeod said earlier. There is a distinct difference between the east coast and the west coast. In our areas here, we need to focus on our strengths. In Skye, those include tourism, which is important here, as are

the Gaelic language and culture. There are things that we must play to and develop.

There is a lack of infrastructure on the west coast, which is not the case on the east coast. There are lots of minor roads, which makes it difficult for people to develop business in remote communities. Broadband was mentioned earlier, and we need to work on that. We need to strengthen the smaller communities. One of my concerns about what would happen if we were to come under Scottish Enterprise, say, is that if there was a national remit to strengthen some areas through wind farms or land purchase, many very small communities would not benefit. Where I live in the north-east of Skye, for example, we are surrounded by every designation that you could possibly have to protect the landscape, and rightly so, but that means that we cannot benefit from wind farms. A community 20 miles away might have a ready stream of income coming in, whereas another community will not. How do we deal with that? The only way is by having a local enterprise company that identifies with the specific needs of people locally, and which can react to the needs of local communities.

Having a national remit may be good for certain things such as broadband and infrastructure, but we must identify with local communities at a local level, with people in place not in Inverness but within the communities, able to deliver and to help businesses to develop.

Howard Vaughan: We are slightly different in that we have a focus on Skye, so we view Skye as the local community. However, we work with all 32 local authorities in the country and we are trying to help community regeneration through young people throughout Scotland. HIE has recognised that we work on both a local basis and a national basis. Our executive team is down in Edinburgh, so it is important to have the local knowledge. HIE has fostered and helped us to nurture local relationships, and it has tried to tackle some local problems, including advertising for staff with Gaelic language, which we have been trying to do over the past few months. Relationships with bodies such as *Sabhal Mòr Ostaig* have been fostered. That is where the national piece comes in; we need to speak to local authorities throughout the country. We have done that, and HIE has been hugely supportive.

A caveat is that my colleagues and I are quite new to the organisation's executive team. During the past nine or 10 months, we have developed a good, strong relationship with HIE, and it has been able to point us in the right direction. The local piece and the national piece are important, but the issue of how we link those up is more difficult.

Rob Gibson: During the October recess I visited—at long last, under my own steam—the

co-operatives in Mondragón in the Basque country. They are centred around innovation, education and co-operative enterprise, and they are culturally rooted. The past 55 years of development has led to the emergence of a worldwide business.

The point is that all those elements are represented in the Highlands and Islands by the various witnesses who have appeared before the committee today, although they probably exist in different organisations. Those include the educational businesses, and the people who are trying to form and develop community businesses. How can we effectively bring together our obvious strengths—which you all display—in a way that will enable HIE to put aside any questions about its being located further away? How can we focus?

Angus MacMillan: We need to return to the focus that I spoke about earlier, which must be based on a sectoral approach. The one-size-fits-all approach is long discredited. You cannot just walk into an office and get the advice that you want for a particular project.

The Highlands and Islands agency—the Highlands and Islands Development Board and then HIE—has been successful when it has been able to put sufficient resources behind specific sectors, such as the aquaculture industry, in which I have been involved for 25 years. There are opportunities in sectors such as broadband to do things in a different setting with different people, but we still need a sectoral approach. We have the natural resource of land, but how can people come in and get advice? You cannot have one person who sits there and who knows all the answers and all the different approaches that could be taken in manufacturing, agriculture, broadband and renewable energy.

The focus must be on people and departments that have built up the expertise and the knowledge, which must be refreshed as new sectors emerge. One example of such a sector is renewable energy, which has so much potential. That potential cannot and will not be realised, however, until the position of Scottish and Southern Energy in the renewable energy sector is addressed. One cannot be a developer, a distributor and a generator all in one.

Witnesses earlier spoke about the benefits that will come from renewable energy, particularly with regard to manufacturing. That is one aspect, but it is very small in comparison to all that Scotland needs in order to produce 12GW of power. The green bank that was mentioned gives us the opportunity to push ahead in other sectors. The revamped HIE—Ùghdarras na Gàidhealtachd—must be sectorally based, because that will give us some focus.

Robert Livingston: I completely agree with Angus MacMillan on that. People were talking earlier about transformational projects. One such project that HIE has brought about during the past 20 years is the cultural renaissance of the Highlands and Islands. This building—Sabhal Mòr Ostaig—is an example of that. HIE did that by developing an infrastructure that includes a range of support and development agencies that have expertise. Donald MacDonald chairs two of those agencies, and there is also our own—HI-Arts—and Fèisean nan Gàidheal. That is one of HIE's great achievements.

However, as earlier speakers said, I am not sure that HIE would, as it is currently constituted, bring such entities into being. We need to get back to that level of ensuring that the right expertise is available on the ground and for the appropriate sectors.

Norman Gillies: To go back to Rob Gibson's question about how we would achieve that, we are talking about HIE today. I was much encouraged by the local authority input to the earlier evidence sessions, and by the talk about partnership working. We need the integration of what Angus Campbell called the sectoral interests, so that everyone is working to the same agenda and not just playing at it—there has been a tendency to do that in the past, but those days are gone. There is a sense in the Highlands and Islands that we have to be in control of our own destiny as far as possible, while still contributing to the wider Scottish economic regeneration.

I thought that the Government's economic strategy was good, and if HIE were working as effectively as it did five or six years ago, it could have added to that agenda and helped the Scottish economy. The answer is partnership working, with sectoral interests being well represented.

Martin Wright: I agree. Regardless of structures—and in direct answer to Rob Gibson's question—it is about bringing everything together. It is not just about the community, the economy or skills, but about the culture. One of the reasons why HIE has, over the years, invested in the university of the Highlands and Islands is because it is an organisation that can bring together economic development, community development and skills development—which is very important—and can promote and celebrate the cultural renaissance and heritage of the region. So, regardless of the structures that are in place, it must be about working together. It is more difficult when services are being delivered by different organisations, but regardless of where their responsibilities lie, those organisations have to work in partnership.

Over a number of years of working in the Highlands and Islands, I have learnt that nothing can be achieved in the region by working alone. If we want success in the Highlands and Islands, it will come through partnership working.

Donald MacDonald: I totally agree with everything that has been said. I hope that we retain HIE and, if we do, I would love to see skills and training coming back under its remit. As Campbell Grant said earlier, I am not aware of skills coming through at the same level since that remit was passed to the councils. I know that there have been budget restrictions and other difficulties but, as a local businessman, I do not see skills coming through in the way that they used to.

I would also love to see VisitScotland's remit for the Highlands coming under HIE, and for there to be much more local control over tourism. A couple of years ago, I was at a dinner with one of VisitScotland's senior officers, and I congratulated him on the fact that VisitScotland had to write a plan for Gaelic. He put up his hands and said, "What am I supposed to do with that?" I immediately pointed out to him the success that Ireland has had through Bord Fáilte and the way that Ireland has promoted its language and culture. I was quite angry that someone who was at such a senior level of VisitScotland could not identify with the culture and traditions that we have, particularly on the west coast of Scotland. There is a real opportunity there, but the work must be done at the local level because it is not coming through from Edinburgh. We need to get control of issues at the local level, and HIE can do that. It could deliver so much.

The areas that HIE staff have to cover at the moment are huge; staff are sitting in cars all day driving from one destination to another. If it was a business, it would not survive, because that is not effective. We have to bring people back to the communities and get them operating and working in those communities for the benefit of everyone. It is the same situation with the council, which has to cover huge areas and accumulates massive amounts of mileage each year. That does not work.

17:45

Howard Vaughan: I agree with Donald MacDonald on mileage. If the expertise is not here, broadband lets us bring it here. We must reach a point at which a forum allows social entrepreneurs to get together and thrash out the issues. After hearing from some of my colleagues today, I think that that is the solution. The solution will come from within. If the expertise is not here, let us go out and get it. We are businesses, leadership organisations and tourist destinations—

we are diverse. The expertise runs far and wide, so we should bring it to us.

Rob Gibson: I could go on, but I had better let someone else speak.

Lewis Macdonald: What has been said is interesting. We have heard from previous witnesses that HIE as it is now constituted would not have enabled community land buy-outs or community energy to develop, as HIE did in the previous 10 years. We have heard from one or two witnesses that HIE as it is currently constituted would not have supported the Gaelic renaissance in the way that it did. Is that a general view?

Donald MacDonald: HIE has been very supportive—directly and indirectly—of the Gaelic language. Many businesses in our communities use and provide services through the Gaelic language, and jobs have been created directly and indirectly as a result. There is huge potential for us to develop businesses and community support around Gaelic, which I would like to be developed much further.

Recently, I heard that more than 200 jobs are associated with Gaelic in Stornoway alone. I have no figure for Skye. I do not know how many jobs are associated with Sabhal Mòr Ostaig—perhaps Norman Gillies can tell us—but the number is substantial. That is a result of the Gaelic language. We should encourage the use and development of businesses and social enterprises that are involved with Gaelic.

Norman Gillies: I will respond to Lewis Macdonald's point. HIE was instrumental in the Gaelic language renaissance and in helping to establish organisations such as Sabhal Mòr Ostaig, but I go back to partnership working. A combination in the early days of the Government, Highlands and Islands Enterprise, Highland Council, Western Isles Council and European moneys all came together for strategic aims that best served the needs of the Highlands and Islands. We want to return to that model. It is there—it just needs to be tweaked.

The Convener: I am conscious of the time. The witnesses should not feel that they must answer every question. Please indicate if you have a contribution to make—we are happy to hear any points that you wish to make.

Angus MacMillan: I will speak about the reforms that relate to Highlands and Islands Enterprise. The business gateway is invisible, as is account management for my business and for Stòras, to an extent. The strategic forum that was discussed is totally invisible, and the regional advisory board never saw the light of day.

On Lewis Macdonald's point, Gaelic will be a living language when it is used in the workplace.

Everything can happen in educational establishments throughout the Highlands and Islands, but the emphasis must be on using Gaelic day to day as a living language through the workplace. That takes us back to social enterprise, job creation and population retention. If that happens, Gaelic will be strong again.

Lewis Macdonald: That is helpful.

Given the role that HIE played in the Gaelic renaissance over a period of years, but which it is simply not capable of playing currently, despite its good intentions, because of the resource issues that have been highlighted, what changes would best support the further development of that cultural aspect of social and economic development in the west Highlands? Those of you who were in the room earlier will have heard evidence on structures, focus, boundaries and all the rest of it. Is there an issue with focus or structures that relates particularly to the Gaelic language and cultural confidence?

Norman Gillies: A beefing-up of the strengthening communities role is all that is required. It is as simple as reinstating that.

Robert Livingston: HIE's role also needs to be broadened again. Our work was made possible by a long-standing partnership between HIE and the Scottish Arts Council. I think that it will be difficult for HIE's strengthening communities team, with its tight remit, to establish a similarly fruitful partnership with Creative Scotland. Such partnerships are essential if we are to make progress.

Lewis Macdonald: A suggestion that was made earlier that is pertinent to the Gaelic communities, but more widely, too, is that HIE needs not only to be strengthened but to refocus and to have a greater focus on the more peripheral parts of its region. Would that suggestion command general support? Does anyone have comments on it?

Donald MacDonald: I certainly agree with that. We see a huge amount of money and development on the east coast of Scotland. I am not against that, but there is a big difference between the east coast and the west coast of Scotland. This might be a bad example, but I think that it was Bob Cowan who said that if you gave money to a fisherman on the east coast, he would fish seven days a week, but if you gave money to a fisherman on the west coast, he would fish five days a week, croft on Saturday and go to kirk on Sunday. There is a societal difference between the east and the west, and there is a difference in the opportunities that we have. We do not have the infrastructure that exists on the east coast, which we really need if we are to develop and retain people in our communities.

Robert Livingston: I entirely agree, but we should not do that at the expense of losing the east coast. As an entity, the Highlands and Islands has an incredibly strong image to present internationally. We have heard from people such as Campbell Grant how important making that international link is. It would be a loss to have an arbitrary division that would not be so readily recognisable internationally.

Martin Wright: Absolutely; I support that. What is required is a distinct Highlands and Islands regional approach. It is clear that, within that, there must be differential application of resources. There are different needs in different areas, as we are all well aware, and it is only natural and sensible that resources be directed towards the greater needs that exist in some areas.

It is important that a distinctive role continues to be played for the Highlands and Islands because it is a distinctive region with distinctive needs. I support others who have said that there is a need for HIE in some form or other. It must have a full regional remit, because the Highlands and Islands is a region and it must operate as such. The development of Inverness and the Moray Firth is important, as is the development of the Western Isles, the northern isles and the west coast, but they need to be taken as a whole, with resources being directed where the need is greatest.

Angus MacMillan: A reformed HIE that was focused on a sectoral basis on the fragile areas would not live in a vacuum or a bubble. It would have to have interaction through Edinburgh, London and Brussels. That is how we could bring back the focus that was originally intended when the HIDB was established.

Ms Alexander: We have heard quite a lot of unhappiness about the way in which the business gateway has operated in the Highlands and Islands, but although the levels of unhappiness have been higher than those that we have heard about in southern Scotland, I think that it is the case that, on balance, people feel that, because responsibility has been passed to local government, which is locally controlled, there is a reluctance to attempt to unpick all of that so soon after the new structure has been put in place.

We heard a suggestion earlier today that perhaps skills functions or VisitScotland functions should move in the direction of HIE—they are currently controlled by Scotland-wide quangos, rather than by local authorities. I am mindful that there is also a train of thought that too much institutional upheaval in times of crisis can look like rearranging the deck chairs on the Titanic and might direct attention away from deepening our commitment to strengthening communities, increasing the focus on the peripheral areas and keeping a regional identity intact.

Sitting in Holyrood, it is a big effort to tear up bits of VisitScotland or Skills Development Scotland. Is it worth it to give some of those functions back to an organisation such as yours, Angus? I am thinking not just about the context of the arts services but about how we put the package of support services in place for estates that have moved into community ownership, which have a tough 10 years ahead and might demand support, given the support that they received to make the buy-outs happen in the first instance.

That question puts you on the spot, Angus, and lets everyone else think about whether we should be hauling bits out of VisitScotland or Skills Development Scotland, or just making relationships work better.

Angus MacMillan: You should create the structure that will best deliver for the area in which you are operating. The area that we are talking about now is the fragile area of the west coast. You debundle whatever you have to debundle in order to put it into the sector and push forward. It is well worth the pain of debundling areas that are not working in order to get them to focus on what will deliver.

Howard Vaughan: It is a bit like the general practitioner analogy: you go to your GP and he sends you to the specialist. One size does not fit all. You cannot go to HIE and expect it to be an expert in every single field, but it should be able to point you in the right direction. It is about facilitating that.

Martin Wright: It is important to differentiate between the back office and the front line. Given where we are at the moment—we are aware of some of the changes in Skills Development Scotland and the length of time that it is taking to get on board with the Highlands and Islands agenda—I am reluctant to say that we should tear it all up and start again. However, there are economies of scale to be found in the back office. It makes sense to work on a national basis with a national back office, but let us also move resources to the front line and have a more responsive front line. HIE could have responsibility for delivery on the ground and on the spot in the Western Isles, the northern isles and across the region. However, if there are economies of scale in amalgamating back-office functions, let us have them in a central function. That would not necessarily be in Glasgow or Edinburgh—the Uists sound perfectly fine to me. Let us have economies of scale where we can, but not at the expense of front-line delivery.

Norman Gillies: Of course, academic institutions do that every five to seven years. They have departments, then colleges and they can always rationalise what they are doing as an efficiency. You can repackage and rebundle and

make delivery in the Highlands and Islands more effective and not cost the taxpayer any more. It was very encouraging to hear the discussion about shared services, which is important in moving forward. You can also make a rational argument about bundling together agencies that had been unpicked. Shared services are the answer to that.

Robert Livingston: When I came to work in the old Bridge house, it was exhilarating to find not just in the same building but on the same floor people from tourism and skills development and people from other organisations, such as Children in Scotland. In a way, it did not matter which organisation they were working for; it was about the synergy that you got from bringing those skills and interests together. Those mechanisms, whether physical or virtual, allow people to get out of their silos, which is what we need.

18:00

Donald MacDonald: There is opportunity for us in tourism. I have been involved in tourism for over 25 years in different roles and I cannot think of a time when there has been less support in the Highlands and Islands for the national organisation for tourism—VisitScotland. That is not to say that VisitScotland is not doing good work—it is doing good work for Scotland as a whole—but the feeling locally is that VisitScotland is not managing to develop the product in our communities. The product is very strong and has a lot of potential; we should develop it.

In places such as Skye, tourism is where we will kick start the economy. Last week, Skye was voted seventh in a poll of the top 10 islands in Europe. I have not heard that VisitScotland has done anything about that. We have nothing locally that would deliver the marketing that we would need to do that. We desperately need something at local level that identifies with the culture, language, wonderful scenery and everything else that we have in these communities. I would like to see tourism development brought to the local level.

Stuart McMillan: Over the past few weeks, I have spoken to a couple of folk in the third sector who gave me a different impression from yours. I grant that the folk to whom I spoke work not up here but in the central belt. That said, they are extremely worried about the potential for decreasing budgets over the next number of years. They told me that local authorities may try to take a silo approach to their operations, particularly when it comes to the finances that will be at their disposal. They told me that authorities will try to keep as much as possible of their budgets to themselves instead of giving it to the third sector. That contrasts with the optimism that

you have just put to the committee. Perhaps I am describing a central belt approach or worry. What are your comments?

Norman Gillies: From the Highlands and Islands perspective, I remain very optimistic about development. Our organisation has plans for a new village that will surround the place in which we are meeting. It is a bad time economically, but I have no doubt that we will move forward on those plans; after all, we are talking about job creation. We have heard a lot this afternoon from our local authority colleagues and Angus MacMillan of Stòras Uibhist about the community taking control and about a new dynamic. All that is relatively recent, however.

Rob Gibson made an important point in asking how we can maintain and sustain development into the future. We need development that will bring economic benefit in future years. That is the trick that we have to achieve and we need an enterprise agency that is capable of doing that. Communities want to do much more for themselves. The nurturing process has taken place to a great extent, but we need now to take the next step forward. The question is this: how can we stimulate things to get everyone involved in this new economic dynamic?

Angus MacMillan: If the renewable energy project that we have in mind for South Uist goes ahead, significant amounts of the revenue that will be generated will go to voluntary sector organisations. Of course, it will also go into investing in other business opportunities. There are huge blanks out there in infrastructure terms.

As Donald MacDonald said earlier, our biggest single concern is ferry services to the Western Isles. That said, if we can start to generate significant sums, we are confident that we can become investors in some such opportunities—I refer to the provision of ferries, piers or whatever else has to be done. That is how we can address some of the inequalities that we all are battling against.

Howard Vaughan: We are entering interesting financial times. We came across some interesting work that has been done on the Beacon and Old Hill estate in Falmouth over the past 15 years. The work was instigated by the local health visitors, and the community then got together to change things from within.

We have spoken to those people in the past few weeks. One said that the amount of work that they could get done with no money is amazing. That is the hat that we must wear over the next couple of years. If local authority and Government money is going to be cut, we must consider smarter ways of raising money. As one door closes, another will open. We must put on our business hats and work

harder on things such as social philanthropy and targeting people who want to give something back, using the Bill Gates or Warren Buffett model. We cannot say that there will not be any money so we will simply stop doing what we have to do. However, as you guys know, we are entering very difficult times, and that is a concern.

Martin Wright: There is no doubt that we face financial challenges, but there is much to be optimistic about in the Highlands and Islands, in particular. For example, we have renewable energy, which we have talked about at length, and there is Gaelic culture and heritage and Nordic culture. I hope that the university of the Highlands and Islands will continue to be a driver for the economy.

It is important that people in the Highlands and Islands are willing to work together to realise the opportunities that exist. As I said earlier, there is a history and heritage of working in partnership in the area, and people are willing to work across the sectors and organisations to realise opportunities, but it is important that there is a strategic lead and focus. If we look back at what the HIDB and Highlands and Islands Enterprise have done, we will see that, in many cases, they provided strategic focus across the region for much of the development that has taken place.

Norman Gillies: Údarás na Gaeltachta has come up on a couple of occasions. That name brings to my mind a creative and risk-taking approach to development. It is a good model; indeed, it is exceptional when it works. We sympathise with our Irish colleagues at the moment, but creativity is key in moving forward on development.

Donald MacDonald: There is quite a lot of optimism in communities. I do not see people being negative about things, although they are concerned. A difficulty that we all face is the uncertainty that exists and not knowing what is ahead of us. It would be useful if we got a clear steer on the direction that we should be going in, whether with HIE or whoever. Whatever we are doing, we need to get a clear direction from MSPs and those who work in the public agencies.

I will give a practical example from my experience. My business is the Aros centre in Portree. For two years, we have been sitting on a project that we want to develop at £1.6 million. That project would significantly add to our activities, but we are not able to develop it because there is not a funding stream to help us. When we costed our project, we were slightly surprised by how high the costs were. We were clearly told that that was to do with infrastructure. The public services are not available. If we had built a similar project in Inverness, it would have been £350,000 cheaper. That is what we face on

the west coast. I am sure that Norman Gillies has similar problems in trying to build a new village, never mind one building. The infrastructure here is very different from the infrastructure in places such as Inverness, where European regional development fund and public money go in to prepare sites and develop the infrastructure to allow business to flourish. That does not happen at local community level here. We have to pick up all the tabs. People who run businesses in this part of the world must be optimistic.

The Convener: I am pleased that we have obviously visited a glass-half-full community for today's evidence session.

I thank the panel for coming to the meeting and for its evidence. Indeed, I thank everyone who has given evidence today. Its standard has been very high, and it is very helpful to our inquiry.

Sadly, we will be back in Edinburgh for our next meeting, which will be on 10 November, when we will take further evidence in the enterprise network inquiry, hear from Hugh Henry MSP on his Protection of Workers (Scotland) Bill, consider an approach paper to the scrutiny of the budget, and consider submissions that the committee may wish to make to the Office of Gas and Electricity Markets review of transmission charging and the banking commission.

I thank everyone who has come to the meeting and Sabhal Mòr Ostaig for its hospitality.

I had a chance to skim through Rob Gibson's copy of the Highlands and Islands Development Board's first report on its first year, from November 1965 to December 1966. Two things caught my eye. First, one of the first board members was called Mr Prophet Smith. He is no relation. Secondly, there is a chapter on the idea of a Highlands university, which concludes:

"The Board recognise that this kind of development will necessarily take time".

That was, indeed, prophetic. On that note, I close the meeting.

Meeting closed at 18:10.

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